As filed with the Securities and Exchange Commission on June 25, 2010.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

Commission file number 333-08752

Fomento Económico Mexicano, S.A.B. de C.V.

(Exact name of registrant as specified in its charter)

Mexican Economic Development, Inc.
(Translation of registrant's name into English)

United Mexican States
(Jurisdiction of incorporation or organization)

General Anaya No. 601 Pte.
Colonia Bella Vista
Monterrey, NL 64410 Mexico
(Address of principal executive offices)

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(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant top Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered
American Depositary Shares, each representing 10 BD Units, and each BD Unit consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares, without par value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

2,161,177,770	BD Units, each consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares, without par value. The BD Units represent a total of 2,161,177,770 Series B Shares, 4,322,355,540 Series D-B Shares and 4,322,355,540 Series D-L Shares.
1,417,048,500	B Units, each consisting of five Series B Shares without par value. The B Units represent a total of 7,085,242,500 Series B Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). N/A

☐ Yes ☐ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be file by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ IFRS ☐ Other ☒

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☒ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

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INTRODUCTION

This annual report contains information materially consistent with the information presented in the audited financial statements and is free of material misstatements of fact that are not material inconsistencies with the information in the audited financial statements.

References

The terms "FEMSA," "our company," "we," "us" and "our," are used in this annual report to refer to Fomento Económico Mexicano, S.A.B. de C.V. and, except where the context otherwise requires, its subsidiaries on a consolidated basis. We refer to our subsidiary Coca-Cola FEMSA, S.A.B. de C.V., as "Coca-Cola FEMSA," and our subsidiary FEMSA Comercio, S.A. de C.V., as "FEMSA Comercio."

The term "S.A.B." stands for *sociedad anónima bursátil*, which is the term used in Mexico to denominate a publicly traded company under the Mexican Securities Market Law (*Ley del Mercado de Valores*), which we refer to as the Mexican Securities Law.

References to "U.S. dollars," "US$," "dollars" or "$" are to the lawful currency of the United States of America. References to "Mexican pesos," "pesos" or "Ps." are to the lawful currency of the United Mexican States, or Mexico.

Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 13.0576 to US$ 1.00, the noon buying rate for Mexican pesos on December 31, 2009, as published by the Federal Reserve Bank of New York. On April 30, 2010, this exchange rate was Ps. 12.2281 to US$ 1.00. See "Item 3. Key Information—Exchange Rate Information" for information regarding exchange rates since January 1, 2005.

To the extent estimates are contained in this annual report, we believe that such estimates, which are based on internal data, are reliable. Amounts in this annual report are rounded, and the totals may therefore not precisely equal the sum of the numbers presented.

Per capita growth rates and population data have been computed based upon statistics prepared by the *Instituto Nacional de Estadística, Geografía e Informática* of Mexico (National Institute of Statistics, Geography and Information, which we refer to as the Mexican Institute of Statistics), the Federal Reserve Bank of New York, the U.S. Federal Reserve Board and *Banco de México* (Bank of Mexico), local entities in each country and upon our estimates.

Forward-Looking Information

This annual report contains words, such as "believe," "expect" and "anticipate" and similar expressions that identify forward-looking statements. Use of these words reflects our views about future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements as a result of various factors that may be beyond our control, including but not limited to effects on our company from changes in our relationship with or among our affiliated companies, movements in the prices of raw materials, competition, significant developments in Mexico or international economic or political conditions or changes in our regulatory environment. Accordingly, we caution readers not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their respective dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

ITEMS 1-2. NOT APPLICABLE

ITEM 3. KEY INFORMATION

Selected Consolidated Financial Data

This annual report includes, under Item 18, our audited consolidated balance sheets as of December 31, 2009 and 2008, the related consolidated statements of income and changes in stockholders' equity for the years ended December 31, 2009, 2008 and 2007, the consolidated statement of cash flows for the years ended December 31, 2009 and 2008 and consolidated statement of changes in financial position for the year ended December 31, 2007. Our audited consolidated financial statements are prepared in accordance with Mexican Financial Reporting Standards (*Normas de Información Financiera* or NIF), which differ in certain significant respects from accounting principles generally accepted in the United States, or U.S. GAAP.

Notes 26 and 27 to our audited consolidated financial statements provide a description of the principal differences between Mexican Financial Reporting Standards and U.S. GAAP as they relate to our company, together with a reconciliation to U.S. GAAP of net income and stockholders' equity as well as U.S. GAAP consolidated balance sheets, statements of income and comprehensive income and cash flows for the same periods presented for Mexican Financial Reporting Standards purposes and for the consolidated statement of changes in stockholders' equity for the years ended December 31, 2009 and 2008. In the reconciliation to U.S. GAAP, we present our subsidiary Coca-Cola FEMSA, which is a consolidated subsidiary for purposes of Mexican Financial Reporting Standards, under the equity method for U.S. GAAP purposes, due to the substantive participating rights of The Coca-Cola Company as a minority shareholder in Coca-Cola FEMSA.

The effects of inflation accounting under Mexican Financial Reporting Standards have not been reversed in the reconciliation to U.S. GAAP. See note 26 to our audited consolidated financial statements.

Beginning on January 1, 2008, in accordance with changes to NIF B-10 under the Mexican Financial Reporting Standards, we discontinued the use of inflation accounting for our subsidiaries that operate in "non-inflationary" countries where cumulative inflation for the three preceding years was less than 26%. Our subsidiaries in Mexico, Guatemala, Panama, Colombia and Brazil operate in non-inflationary economic environments, therefore 2009 and 2008 figures reflect inflation effects only through 2007. Our subsidiaries in Nicaragua, Costa Rica, Venezuela and Argentina operate in economic environments in which cumulative inflation during the same three-year period was 26% or greater, and we therefore continue recognizing inflationary accounting for 2009 and 2008. For comparison purposes, the figures prior to 2008 have been restated in Mexican pesos with purchasing power as of December 31, 2007, taking into account local inflation for each country with reference to the consumer price index. Local currencies have been converted into Mexican pesos using official exchange rates published by the local central bank of each country. See note 3 to our consolidated financial statements.

The following table presents selected financial information of our company. This information should be read in conjunction with, and is qualified in its entirety by, our audited consolidated financial statements and the notes to those statements. See "Item 18. Financial Statements." The selected financial information is presented on a consolidated basis and is not necessarily indicative of our financial position or results of operations at or for any future date or period. Certain figures for years prior to 2009 have been reclassified for comparison purposes to 2009 figures. See note 2 to our consolidated financial statements.

	Selected Consolidated Financial Information Year Ended December 31,					
	2009[1]	2009	2008	2007	2006	2005
	(In millions of U.S. dollars and millions of Mexican pesos, except for percentages, per share data and weighted average number of shares outstanding)					
Income Statement Data:						
Mexican FRS:						
Total revenues	$15,090	Ps. 197,033	Ps. 168,022	Ps. 147,556	Ps. 136,120	Ps. 119,462
Income from operations[2]	2,069	27,012	22,684	19,736	18,637	17,601
Income taxes[3]	299	3,908	4,207	4,950	4,608	4,620
Consolidated net income	1,155	15,082	9,278	11,936	9,860	9,073
Net controlling interest income	759	9,908	6,708	8,511	7,127	5,951
Net noncontrolling interest income	396	5,174	2,570	3,425	2,733	3,122
Net controlling interest income[4]:						
Per Series B Share	0.04	0.49	0.33	0.42	0.36	0.31
Per Series D Share	0.05	0.62	0.42	0.53	0.44	0.39
Weighted average number of shares outstanding (in millions):						
Series B Shares		9,246.4	9,246.4	9,246.4	9,246.4	8,834.9
Series D Shares		8,644.7	8,644.7	8,644.7	8,644.7	8,260.1
Allocation of earnings:						
Series B Shares		46.11%	46.11%	46.11%	46.11%	46.11%
Series D Shares		53.89%	53.89%	53.89%	53.89%	53.89%
U.S. GAAP:						
Total revenues	$ 7,881	Ps. 102,902	Ps. 91,650	Ps. 83,362	Ps. 75,704	Ps. 63,031
Income from operations	663	8,661	7,881	7,667	7,821	6,911
Participation in Coca-Cola FEMSA's earnings[5]	346	4,516	2,994	3,635	2,420	2,205
Net income	818	10,685	6,599	8,589	6,804	6,059
Less: Net noncontrolling interest income	(60)	(783)	253	(32)	169	—
Net controlling interest income	758	9,902	6,852	8,557	6,973	6,059
Net controlling interest income[4]:						
Per Series B Share	0.04	0.49	0.34	0.43	0.35	0.32
Per Series D Share	0.05	0.62	0.43	0.53	0.43	0.40
Weighted average number of shares outstanding (in millions):						
Series B Shares		9,246.4	9,246.4	9,246.4	9,246.4	8,834.9
Series D Shares		8,644.7	8,644.7	8,644.7	8,644.7	8,260.1
Balance Sheet Data:						
Mexican FRS:						
Total assets	$16,166	Ps. 211,091	Ps. 187,345	Ps. 168,187	Ps. 156,215	Ps. 139,823
Current liabilities	3,505	45,767	44,094	33,517	28,060	22,510
Long-term debt and notes payable[6]	2,666	34,810	32,210	30,665	35,673	32,129
Other long-term liabilities	1,125	14,685	14,146	14,352	14,274	10,786
Capital stock	410	5,348	5,348	5,348	5,348	5,348
Total stockholders' equity	8,870	115,829	96,895	89,653	78,208	74,398
Controlling interest	6,251	81,637	68,821	64,578	56,654	52,400
Noncontrolling interest	2,619	34,192	28,074	25,075	21,554	21,998

	Selected Consolidated Financial Information Year Ended December 31,					
	2009[1]	2009	2008	2007	2006	2005
	(In millions of U.S. dollars and millions of Mexican pesos, except for percentages, per share data and weighted average number of shares outstanding)					
U.S. GAAP:						
Total assets	$12,100	Ps.158,000	Ps.139,219	Ps.127,167	Ps.116,392	Ps.98,869
Current liabilities	1,803	23,539	23,654	18,579	14,814	10,090
Long-term debt[6]	1,847	24,119	19,557	16,569	18,749	15,177
Other long-term liabilities	835	10,900	9,966	8,715	8,738	4,996
Noncontrolling interest	98	1,274	505	698	166	52
Controlling interest	7,518	98,168	85,537	82,606	73,925	68,554
Capital stock	410	5,348	5,348	5,348	5,348	5,348
Stockholders' equity[7]	7,616	99,442	86,042	83,304	74,091	68,606
Other information:						
Mexican FRS:						
Depreciation[8]	$ 482	Ps. 6,295	Ps. 5,508	Ps. 4,930	Ps. 4,954	Ps. 4,682
Capital expenditures[9]	1,009	13,178	14,234	11,257	9,422	7,508
Operating margin[10]	13.7%	13.7%	13.5%	13.4%	13.7%	14.7%
U.S. GAAP:						
Depreciation[8]	$ 213	Ps. 2,786	Ps. 2,439	Ps. 2,114	Ps. 2,080	Ps. 2,079
Operating margin[10]	8.4%	8.4%	8.6%	9.2%	10.3%	11.0%

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 13.0576 to US$ 1.00 solely for the convenience of the reader.

(2) Beginning in 2008, Mexican Financial Reporting Standard NIF D-3 ("Employee's Benefits") requires the presentation of financial expenses related to labor liabilities as part of the comprehensive financing result, which was previously recorded within operating income. Accordingly, information for prior years has been reclassified for comparability purposes.

(3) For 2009 and 2008, includes income tax, and for 2007, 2006 and 2005, includes income tax and tax on assets. Since 2007, we are required to present employee profit sharing within "other expenses" pursuant to Mexican Financial Reporting Standards Interpretation (INIF) No. 4 "*Presentación en el Estado de Resultados de la Participación de los Trabajadores en la Utilidad*" (Presentation of Employee Profit Sharing in the Income Statement). Information for prior years has been modified for comparability purposes.

(4) Net controlling interest income per share data has been modified retrospectively to reflect our 3:1 stock split effective May 25, 2007.

(5) Coca-Cola FEMSA is not consolidated for U.S. GAAP purposes and is recorded under the equity method, as discussed in note 26 (a) to our audited consolidated financial statements.

(6) Includes long-term debt minus the current portion of long-term debt.

(7) In 2009, ASC 810-10-65 came into effect and requires that noncontrolling interest be included as part of the total stockholders' equity. This standard was applied retrospectively for comparative purposes.

(8) Includes bottle breakage.

(9) Includes investments in property, plant and equipment, intangible and other assets.
(10) Operating margin is calculated by dividing income from operations by total revenues.

Dividends

We have historically paid dividends per BD Unit (including in the form of ADSs) approximately equal to or greater than 1% of the market price on the date of declaration, subject to changes in our results of operations and financial position, including due to extraordinary economic events and to the factors described in "Risk Factors" that affect our financial condition and liquidity. These factors may affect whether or not dividends are declared and the amount of such dividends. We do not expect to be subject to any contractual restrictions on our ability to pay dividends, although our subsidiaries may be subject to such restrictions. Because we are a holding company with no significant operations of our own, we will have distributable profits and cash to pay dividends only to the extent that we receive dividends from our subsidiaries. Accordingly, we cannot assure you that we will pay dividends or as to the amount of any dividends.

The following table sets forth for each year the nominal amount of dividends per share that we declared in Mexican pesos and U.S. dollar amounts and their respective payment dates for the 2005 to 2009 fiscal years:

Date Dividend Paid	Fiscal Year with Respect to which Dividend was Declared	Aggregate Amount of Dividend Declared	Per Series B Share Dividend(1)	Per Series B Share Dividend(1)	Per Series D Share Dividend(1)	Per Series D Share Dividend(1)
June 15, 2006	2005	Ps. 986,000,000	Ps.0.0492	$ 0.0043	Ps.0.0615	$ 0.0054
May 15, 2007	2006	Ps.1,485,000,000	Ps.0.0741	$ 0.0069	Ps.0.0926	$ 0.0086
May 8, 2008	2007	Ps.1,620,000,000	Ps.0.0807	$ 0.0076	Ps.0.1009	$ 0.0095
May 4, 2009 and November 3, 2009(2)	2008	Ps.1,620,000,000	Ps.0.0807	$ 0.0061	Ps.0.1009	$ 0.0076
May 4, 2009			Ps.0.0404	$ 0.0030	Ps.0.0505	$ 0.0038
November 3, 2009			Ps.0.0404	$ 0.0030	Ps.0.0505	$ 0.0038
May 4, 2010 and November 3, 2010(3)	2009	Ps.2,600,000,000	Ps.0.1296	N/a	Ps.0.1621	N/a
May 4, 2010			Ps.0.0648	$ 0.0053	Ps.0.0810	$ 0.0066
November 3, 2010			Ps.0.0648	N/a(4)	Ps.0.0810	N/a(4)

(1) The per series dividend amount has been adjusted for comparability purposes to reflect the 3:1 stock split effective May 25, 2007 by dividing, for 2005, 2006 and 2007, 9,246,420,270 Series B Shares and 8,644,711,080 Series D Shares, which in each case represents the number of shares outstanding at the date each dividend is declared as adjusted retroactively for prior periods as applicable to reflect the 3:1 stock split.
(2) The dividend payment for 2008 was divided into two equal payments. The first payment was paid on May 4, 2009, with a record date of April 30, 2009, and the second payment was paid on November 3, 2009, with a record date of October 30, 2009.
(3) The dividend payment for 2009 was divided into two equal payments. The first payment was paid on May 4, 2010, with a record date of May 3, 2010, and the second payment will be paid on November 3, 2010, with a record date of November 2, 2010.
(4) The U.S. dollar amount of the second 2009 dividend payment will be based on the exchange rate on the record date of November 2, 2010.

At the annual ordinary general shareholders meeting, or AGM, the board of directors submits the financial statements of our company for the previous fiscal year, together with a report thereon by the board of directors. Once the holders of Series B Shares have approved the financial statements, they determine the allocation of our net profits for the preceding year. Mexican law requires the allocation of at least 5% of net profits to a legal reserve, which is not subsequently available for distribution, until the amount of the legal reserve equals 20% of our paid in capital stock. Thereafter, the holders of Series B Shares may determine and allocate a certain percentage of net profits to any general or special reserve, including a reserve for open-market purchases of our shares. The remainder of net profits is available for distribution in the form of dividends to our shareholders. Dividends may only be paid if net profits are sufficient to offset losses from prior fiscal years.

Our bylaws provide that dividends will be allocated among the shares outstanding and fully paid at the time a dividend is declared in such manner that each Series D-B Share and Series D-L Share receives 125% of the dividend distributed in respect of each Series B Share. Holders of Series D-B Shares and Series D-L Shares are entitled to this dividend premium in connection with all dividends paid by us other than payments in connection with the liquidation of our company.

Subject to certain exceptions contained in the deposit agreement dated May 11, 2007, among FEMSA, The Bank of New York, as ADS depositary, and holders and beneficial owners from time to time of our American Depositary Shares, or ADSs, evidenced by American Depositary Receipts, or ADRs, any dividends distributed to holders of our ADSs will be paid to the ADS depositary in Mexican pesos and will be converted by the ADS depositary into U.S. dollars. As a result, restrictions on conversion of Mexican pesos into foreign currencies and exchange rate fluctuations may affect the ability of holders of our ADSs to receive U.S. dollars and the U.S. dollar amount actually received by holders of our ADSs.

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Exchange Rate Information

The following table sets forth, for the periods indicated, the high, low, average and period-end noon buying exchange rate published by the Federal Reserve Bank of New York for cable transfers of pesos per U.S. dollar. The Federal Reserve Bank of New York discontinued the publication of foreign exchange rates on December 31, 2008, and therefore, the data provided for the periods beginning January 1, 2009, is based on the rates published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

Period ended December 31,	Exchange Rate			
	High	Low	Average[1]	Period End
2005	11.41	10.41	10.89	10.63
2006	11.46	10.43	10.91	10.80
2007	11.27	10.67	10.93	10.92
2008	13.94	9.92	11.21	13.83
2009	15.41	12.63	13.50	13.06

(1) Average month-end rates.

	Exchange Rate		
	High	Low	Period End
2008:			
First Quarter	Ps. 10.97	Ps. 10.63	Ps. 10.63
Second Quarter	10.60	10.27	10.30
Third Quarter	10.97	9.92	10.97
Fourth Quarter	13.94	10.97	13.83
2009:			
First Quarter	Ps. 15.41	Ps. 13.33	Ps. 14.21
Second Quarter	13.89	12.89	13.17
Third Quarter	13.80	12.82	13.48
Fourth Quarter	13.67	12.63	13.06
December	13.08	12.63	13.06
2010:			
January	Ps. 13.03	Ps. 12.65	Ps. 13.03
February	13.19	12.76	12.76
March	12.74	12.30	12.30
First Quarter	13.19	12.30	12.30
April	12.41	12.16	12.23
May	13.14	12.27	12.86
June[1]	12.92	12.54	12.54

(1) Information from June 1 to June 18, 2010.

RISK FACTORS

Risks Related to Our Company

Coca-Cola FEMSA

Coca-Cola FEMSA's business depends on its relationship with The Coca-Cola Company, and changes in this relationship may adversely affect its results of operations and financial position.

Approximately 99% of Coca-Cola FEMSA's sales volume in 2009 was derived from sales of *Coca-Cola* trademark beverages. Coca-Cola FEMSA produces, markets and distributes *Coca-Cola* trademark beverages through standard bottler agreements in certain territories in Mexico and Latin America, which we refer to as Coca-Cola FEMSA's territories. See "Item 4. Information on the Company—Coca-Cola FEMSA—Coca-Cola FEMSA's Territories." Through its rights under the bottler agreements and as a large shareholder, The Coca-Cola Company has the right to participate in the process utilized for the making of important decisions of Coca-Cola FEMSA's business.

The Coca-Cola Company may unilaterally set the price for its concentrate. In addition, under its bottler agreements, Coca-Cola FEMSA is prohibited from bottling or distributing any other beverages without The Coca-Cola Company's authorization or consent and it may not transfer control of the bottler rights of any of its territories without the consent of The Coca-Cola Company. On March 10, 2010, FEMSA announced that subsidiaries of FEMSA have signed an agreement with subsidiaries of the The Coca-Cola Company to amend the shareholders agreement of Coca-Cola FEMSA. The main purpose of the amendment is to set forth that the appointment and compensation of the chief executive officer and all officers reporting to the chief executive officer, as well as the adoption of decisions related to the ordinary operations of Coca-Cola FEMSA shall only require a simple majority vote of the board of directors. See "Item 4. Information on the Company—The Company—Overview." The Coca-Cola Company may require that Coca-Cola FEMSA demonstrate its financial ability to meet its business. The Coca-Cola Company also makes significant contributions to Coca-Cola FEMSA's marketing expenses although it is not required to contribute a particular amount. Accordingly, The Coca-Cola Company may discontinue or reduce such contributions at any time.

Coca-Cola FEMSA depends on The Coca-Cola Company to renew its bottler agreements. In Mexico, Coca-Cola FEMSA has four bottler agreements; the agreements for two territories expire in June 2013 and the agreements for the other two territories expire in May 2015. Coca-Cola FEMSA's bottler agreements with The Coca-Cola Company will expire for Coca-Cola FEMSA's territories in the following countries: Argentina in September 2014; Brazil in April 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016; and Panama in November 2014. All of Coca-Cola FEMSA's bottler agreements automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement. In addition, in the event a material breach of these agreements occurs, the agreements may be terminated. Termination would prevent Coca-Cola FEMSA from selling *Coca-Cola* trademark beverages in the affected territory and would have an adverse effect on Coca-Cola FEMSA's business, financial conditions, results of operations and prospects.

The Coca-Cola Company has significant influence on the conduct of Coca-Cola FEMSA's business, which may result in Coca-Cola FEMSA taking actions contrary to the interests of its remaining shareholders.

The Coca-Cola Company has significant influence on the conduct of Coca-Cola FEMSA's business. Currently, The Coca-Cola Company indirectly owns 31.6% of Coca-Cola FEMSA's outstanding capital stock, representing 37.0% of its capital stock with full voting rights. The Coca-Cola Company is entitled to appoint four of Coca-Cola FEMSA's 18 directors and the vote of at least two of them is required to approve certain actions by Coca-Cola FEMSA's board of directors. On February 1, 2010, we and The Coca-Cola Company signed a second amendment to the shareholders agreement that confirms our power to govern the operating and financial policies of Coca-Cola FEMSA in order to exercise control over its operations in the ordinary course of business. Consequently, we are entitled to appoint 11 of Coca-Cola FEMSA's 18 directors and all of its executive officers. The Coca-Cola Company has the power to determine the outcome of certain protective rights, such as mergers, acquisitions, or the

sale of any line of business, requiring approval by its board of directors and may have the power to determine the outcome of certain actions requiring approval of Coca-Cola FEMSA's shareholders. See "Item 10. Additional Information—Material Contracts—Coca-Cola FEMSA." The interests of The Coca-Cola Company may be different from the interests of Coca-Cola FEMSA's remaining shareholders, which may result in Coca-Cola FEMSA taking actions contrary to the interests of its remaining shareholders.

Coca-Cola FEMSA has significant transactions with affiliates, particularly The Coca-Cola Company, which may create the potential for conflicts of interest and could result in less favorable terms to Coca-Cola FEMSA.

Coca-Cola FEMSA engages in transactions with subsidiaries of The Coca-Cola Company, including cooperative marketing arrangements and a number of bottler agreements. In addition, Coca-Cola FEMSA has entered into cooperative marketing arrangements with The Coca-Cola Company. The transactions may create potential conflicts of interest, which could result in terms less favorable to Coca-Cola FEMSA than could be obtained from an unaffiliated third-party.

Competition could adversely affect Coca-Cola FEMSA's financial performance.

The beverage industry in territories in which Coca-Cola FEMSA operates is highly competitive. Coca-Cola FEMSA faces competition from other bottlers of sparkling beverages such as Pepsi products, and from producers of low cost beverages, or "B brands." Coca-Cola FEMSA also competes in different beverage categories, other than sparkling beverages, such as water, juice-based beverages and sport drinks. Although competitive conditions are different in each of Coca-Cola FEMSA's territories, Coca-Cola FEMSA competes principally in terms of price, packaging, consumer sales promotions, customer service and product innovation. See "Item 4. Information on the Company—Coca-Cola FEMSA—Competition." There can be no assurances that Coca-Cola FEMSA will be able to avoid lower pricing as a result of competitive pressure. Lower pricing, changes made in response to competition and changes in consumer preferences may have an adverse effect on Coca-Cola FEMSA's financial performance.

Changes in consumer preference could reduce demand for some of Coca-Cola FEMSA's products

The non-alcoholic beverage industry is rapidly evolving as a result of, among other things, changes in consumer preferences. Specifically, consumers are becoming increasingly more aware of and concerned about environmental and health issues. Concerns over the environmental impact of plastic may reduce the consumption of Coca-Cola FEMSA's products sold in plastic bottles or result in additional taxes that would adversely affect consumer demand. In addition, researchers, health advocates and dietary guidelines are encouraging consumers to reduce their consumption of certain types of beverages sweetened with sugar and high fructose corn syrup, which could reduce demand for certain of Coca-Cola FEMSA's products. A reduction in consumer demand would adversely affect Coca-Cola FEMSA's results of operations.

Water shortages or any failure to maintain existing concessions could adversely affect Coca-Cola FEMSA's business.

Water is an essential component of all of Coca-Cola FEMSA's products. Coca-Cola FEMSA obtains water from various sources in its territories, including springs, wells, rivers and local and state water companies pursuant to either contracts to obtain water or concessions granted by governments in its various territories. Coca-Cola FEMSA obtains the vast majority of the water used in its production pursuant to concessions to exploit wells, which are generally granted based on studies of the existing and projected groundwater supply. Coca-Cola FEMSA's existing water concessions or contracts to obtain water may be terminated by governmental authorities under certain circumstances and their renewal depends on receiving necessary authorizations from local and/or federal water authorities. See "Item 4. Information on the Company—Regulatory Matters—Water Supply Law." In some of Coca-Cola FEMSA's other territories, its existing water supply may not be sufficient to meet its future production needs and the available water supply may be adversely affected by shortages or changes in governmental regulations.

We cannot assure you that water will be available in sufficient quantities to meet Coca-Cola FEMSA's future production needs or will prove sufficient to meet its water supply needs.

Increases in the prices of raw materials would increase Coca-Cola FEMSA's cost of sales and may adversely affect its results of operations.

Coca-Cola FEMSA's most significant raw materials are concentrate, which it acquires from affiliates of The Coca-Cola Company, packaging materials and sweeteners. Prices for concentrate are determined by The Coca-Cola Company as a percentage of the weighted average retail price in local currency, net of applicable taxes. In 2005, The Coca-Cola Company decided to gradually increase concentrate prices for sparkling beverages over a three-year period in Mexico, which began in 2007 and in Brazil in 2006. These increases were fully implemented in Brazil in 2008 and in Mexico in 2009, but Coca-Cola FEMSA may experience further increases in the future. The prices for Coca-Cola FEMSA's remaining raw materials are driven by market prices and local availability as well as the imposition of import duties and import restrictions and fluctuations in exchange rates. Coca-Cola FEMSA is also required to meet all of its supply needs from suppliers approved by The Coca-Cola Company, which may limit the number of suppliers available to it. Coca-Cola FEMSA's sales prices are denominated in the local currency in each country in which it operates, while the prices of certain materials, including those used in the bottling of its products (mainly resin, ingots used to make plastic bottles, finished plastic bottles, aluminum cans and high fructose corn syrup), are paid in or determined with reference to the U.S. dollar. These prices may increase if the U.S. dollar appreciates against the currency of any country in which Coca-Cola FEMSA operates, which occurred in 2009. See "Item 4. Information on the Company—Coca-Cola FEMSA—Raw Materials."

After concentrate, packaging materials and sweeteners constitute the largest portion of Coca-Cola FEMSA's raw material costs. Coca-Cola FEMSA's most significant packaging raw material costs arise from the purchase of resin and plastic ingots to make plastic bottles and from the purchase of finished plastic bottles, the prices of which are tied to crude oil prices and global resin supply. The average U.S. dollar prices Coca-Cola FEMSA paid for resin and plastic ingots decreased significantly in 2009 and in 2008 as compared to 2007, although Coca-Cola FEMSA did not benefit from such price decrease due to the devaluation of the Mexican peso against the U.S. dollar in 2009. Prices may increase in future periods. Sugar prices in all of the countries in which Coca-Cola FEMSA operates, other than Brazil, are subject to local regulations and other barriers to market entry that cause it to pay in excess of international market prices for sugar. Sugar prices worldwide have been volatile during 2009, mainly due to a production shortfall in India, one of the largest global producers of sugar. Average sweetener prices paid during 2009 were higher as compared to 2008 in all of the countries in which Coca-Cola FEMSA operates. See "Item 4. Information on the Company—Coca-Cola FEMSA—Raw Materials."

We cannot assure you that Coca-Cola FEMSA's raw material prices will not further increase in the future. Increases in the prices of raw materials would increase Coca-Cola FEMSA's cost of sales and adversely affect its financial performance.

In Venezuela, sugar supply was affected in 2009. We cannot assure you that Coca-Cola FEMSA will be able to meet its sugar requirements in the long-term if sugar supply conditions do not improve in Venezuela. See "Item 4. Information on the Company—Coca-Cola FEMSA—Raw Materials."

Taxes could adversely affect Coca-Cola FEMSA's business.

The countries in which Coca-Cola FEMSA operates may adopt new tax laws or modify existing law to increase taxes applicable to its business. For example, in Mexico, a general tax reform became effective on January 1, 2010, pursuant to which, as applicable to Coca-Cola FEMSA, there will be a temporary increase in the income tax rate from 28% to 30% from 2010 through 2012. This increase will be followed by a reduction to 29% for the year 2013 and a further reduction in 2014 to return to the previous rate of 28%. In addition, the value added tax (VAT) rate increased in 2010 from 15% to 16%. This increase might affect demand for, and consumption of, Coca-Cola FEMSA's products and, consequently, its financial performance.

Coca-Cola FEMSA's products are also subject to certain taxes in many of the countries in which it operates. Certain countries in Central America, Argentina and Brazil impose taxes on sparkling beverages. We

cannot assure you that any governmental authority in any country where Coca-Cola FEMSA operates will not impose new taxes or increase taxes on its products in the future.

The imposition of new taxes or increases in taxes on Coca-Cola FEMSA's products may have a material adverse effect on its business, financial condition, prospects and financial performance.

Regulatory developments may adversely affect Coca-Cola FEMSA's business.

Coca-Cola FEMSA is subject to regulation in each of the territories in which it operates. The principal areas in which Coca-Cola FEMSA is subject to regulation are environment, labor, taxation, health and antitrust. Regulation can also affect Coca-Cola FEMSA's ability to set prices for its products. The adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the countries in which Coca-Cola FEMSA operates may increase its operating costs or impose restrictions on its operations, which in turn, may adversely affect its financial condition, business and results of operations. In particular, environmental standards are becoming more stringent in several of the countries in which Coca-Cola FEMSA operates and Coca-Cola FEMSA is in the process of complying with these standards, although we cannot assure you that Coca-Cola FEMSA will be able to meet any timelines for compliance established by the relevant regulatory authorities. See "Item 4. Information on the Company—Regulatory Matters—Environmental Matters." Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on Coca-Cola FEMSA's future results of operations or financial condition.

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries in which Coca-Cola FEMSA operates. It is currently subject to price controls in Argentina. The imposition of these restrictions or voluntary price restraints in other territories may have an adverse effect on Coca-Cola FEMSA's results of operations and financial position. We cannot assure you that governmental authorities in any country where Coca-Cola FEMSA operates will not impose statutory price controls or that it will need to implement voluntary price restraints in the future.

In December 2009, the Venezuelan government issued a decree requiring a reduction in energy consumption by at least 20% for industrial companies whose consumption is greater than two megawatts per hour and to submit an energy-usage reduction plan. Some of Cola FEMSA's bottling operations in Venezuela outside of Caracas met this threshold and Cola FEMSA submitted a plan, which included the purchase of generators for its plants. The Venezuelan government subsequently implemented power cuts and other measures for all industries in Caracas whose consumption was above 35 kilowatts per hour in January 2010. All of Cola FEMSA's bottling and distribution centers as well as administrative offices in Caracas met this threshold.

In January 2010, the Venezuelan government amended the *Ley para la Defensa y Acceso a las Personas a los Bienes y Servicios* (Access to Goods and Services Defense Law). Any violation by a company that produces, distributes and sells goods and services could lead to fines, penalties or the confiscation of the assets used to produce, distribute and sell these goods without compensation. Although we believe that Coca-Cola FEMSA is in compliance with this law, consumer protection laws in Venezuela are subject to continuing review and changes, and any such changes could lead to an adverse impact on Coca-Cola FEMSA.

Coca-Cola FEMSA's operations have from time to time been subject to investigations and proceedings by antitrust authorities and litigation relating to alleged anticompetitive practices. Coca-Cola FEMSA has also been subject to investigations and proceedings on environmental and labor matters. See "Item 8. Financial Information—Legal Proceedings." We cannot assure you that these investigations and proceedings could not have an adverse effect on Coca-Cola FEMSA's results of operations or financial condition.

Economic and political conditions in the other Latin American countries in which Coca-Cola FEMSA operates may have an increasingly adverse effect on its business.

In addition to conducting operations in Mexico, our subsidiary Coca-Cola FEMSA conduct operations in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina. Product sales and income from Coca-Cola FEMSA's combined non-Mexican operations have increased as a percentage of their consolidated

product sales and income from operations from 42.8% and 29.5%, respectively, in 2005 to 64.2% and 56.8%, respectively, in 2009. We expect this trend to continue in future periods. As a consequence, Coca-Cola FEMSA's future results will be increasingly affected by the economic and political conditions in the countries, other than Mexico, where it conducts operations.

Consumer demand, preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic and political conditions in the other countries in which Coca-Cola FEMSA operates. These conditions vary by country and may not be correlated to conditions in Mexican operations. For example, Brazil and Colombia have a history of economic volatility and political instability. In Venezuela, Coca-Cola FEMSA faces exchange rate risk as well as scarcity of raw materials and restrictions with respect to the import of such materials. Deterioration in economic and political conditions in any of these countries would have an adverse effect on Coca-Cola FEMSA's financial position and results of operations.

Depreciation of the local currencies of the countries in which Coca-Cola FEMSA operates against the U.S. dollar may increase its operating costs. Coca-Cola FEMSA has also operated under exchange controls in Venezuela since 2003 that affect the ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price paid for raw materials and services purchased in local currency. In January 2010, the Venezuelan government announced a devaluation of its official exchange rates and the establishment of a multiple exchange rate system of (1) 2.60 bolivars to US$ 1.00 for high priority categories (2) 4.30 bolivars to US$ 1.00 for non-priority categories and (3) the recognition of the existence of other exchange rates that the government shall determine. Coca-Cola FEMSA expects this devaluation will have an adverse impact on its financial results, by increasing operating costs and by reducing the Mexican peso amounts from its Venezuelan operations reported in its financial statements as a result of the translation accounting rules under Mexican Financial Reporting Standards. The exchange rate that will be used to translate our financial statements as of January 2010 will be 4.30 bolivars per U.S. dollar. As of December 31, 2009, the financial statements were translated to Mexican pesos using the exchange rate of 2.15 bolivars per U.S. dollar. As a result of this devaluation, the balance sheet of the Venezuelan subsidiary will reflect a reduction in shareholders' equity of approximately Ps. 3,700 million, which was accounted for in January 2010.

Future currency devaluation or the imposition of exchange controls in any of the countries in which Coca-Cola FEMSA has operations would have an adverse effect on its financial position and results of operations.

We cannot assure you that political or social developments in any of the countries in which Coca-Cola FEMSA has operations, and over which it has no control, will not have a corresponding adverse effect on the economic situation and on Coca-Cola FEMSA's business, financial condition or results of operations.

FEMSA Comercio

Competition from other retailers in Mexico could adversely affect FEMSA Comercio's business.

The Mexican retail sector is highly competitive. FEMSA participates in the retail sector primarily through FEMSA Comercio. FEMSA Comercio's OXXO convenience stores face competition on a regional basis from 7-Eleven, Super Extra, which is owned and managed by Grupo Modelo, our main competitor in the Mexican beer market, Super City, AM/PM and Circle K stores. OXXO convenience stores also face competition from numerous small chains of retailers across Mexico. In the future, OXXO stores may face additional competition from other retailers that do not currently participate in the convenience store sector or from new market entrants. Increased competition may limit the number of new locations available to FEMSA Comercio and require FEMSA Comercio to modify its product offering or pricing. In addition, consumers may prefer alternative products or store formats offered by competitors. As a result, FEMSA Comercio's results of operations and financial position may be adversely affected by competition in the future.

Sales of OXXO convenience stores may be adversely affected by changes in economic conditions in Mexico.

Convenience stores often sell certain products at a premium. The convenience store market is thus highly sensitive to economic conditions, since an economic slowdown is often accompanied by a decline in consumer purchasing power, which in turn results in a decline in the overall consumption of FEMSA Comercio's main product categories. During periods of economic slowdown, OXXO stores may experience a decline in traffic per store and purchases per customer, and this may result in a decline in FEMSA Comercio's results of operations.

FEMSA Comercio may not be able to maintain its historic growth rate.

FEMSA Comercio increased the number of OXXO stores at an average annual rate of 15.4% from 2005 to 2009. The growth in the number of OXXO stores has driven growth in total revenue and operating income at FEMSA Comercio over the same period. As the overall number of stores increases, percentage growth in the number of OXXO stores is likely to decrease. In addition, as convenience store penetration in Mexico grows, the number of viable new store locations may decrease, and new store locations may be less favorable in terms of same store sales, average ticket and store traffic. As a result, FEMSA Comercio's future results of operations and financial condition may not be consistent with prior periods and may be characterized by lower growth rates in terms of total revenue and operating income. In Colombia, FEMSA Comercio may not be able to maintain similar historic growth rates to those in Mexico.

Risks Related to Our Holding of Heineken Shares

As required in this annual report, any financial and operating information presented in relation to FEMSA Cerveza is for the periods ended on December 31, 2009, 2008 and 2007, when we had control over this segment. See "Item 5. Operating and Financial Review and Prospects—Recent Developments." The risk factors below reflect the closing of the Heineken transaction on April 30, 2010.

FEMSA will not control Heineken's decisions.

On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group, which we refer to as the Heineken transaction. See "Item 5. Operating and Financial Review and Prospects—Recent Developments." As a consequence of the Heineken transaction, FEMSA will participate in the Heineken Holding Board and in the Heineken Supervisory Board. However, FEMSA will not be a majority or controlling shareholder of Heineken, nor will we control the decisions of the Heineken Holding Board or the Heineken Supervisory Board. Therefore, the decisions made by the majority or controlling shareholders of Heineken or the Heineken Holding Board or the Heineken Supervisory Board may not be consistent with or may not consider the interests of FEMSA's shareholders or may be adverse to the interests of FEMSA's shareholders. Additionally, FEMSA will not disclose non-public information and decisions taken by Heineken.

Heineken is present in several markets at the global level.

With respect to the beer industry, FEMSA is present in several markets at the global level. As a consequence of the Heineken transaction, FEMSA shareholders are indirectly exposed to the political, economic and social circumstances affecting the markets in which Heineken is present, which may have an adverse effect on the value of FEMSA's interest in Heineken, and, consequently, the value of FEMSA shares.

Strengthening of the Mexican peso.

FEMSA exchanged an investment in the shares in a Mexican company the operating currency of which is the same as the consolidated entity for an investment in the shares of a Dutch company the operating currency of which is the Euro (€). Therefore, in the event of an appreciation of the Mexican peso against the Euro, the fair value of FEMSA's share investment will be adversely affected.

Furthermore, the cash flow that is expected to be received in the form of dividends from Heineken will be in Euros, and therefore, in the event of an appreciation of the Mexican peso against the Euro, the amount of expected cash flow once the dividends are converted into pesos (FEMSA's operating currency) will be adversely affected.

Heineken is a publicly listed company.

Heineken is a listed company whose stock trades publicly and is subject to market fluctuation. A reduction in the price of Heineken shares would result in a reduction in the economic value of FEMSA's participation in Heineken.

Risks Related to Our Principal Shareholders and Capital Structure

A majority of our voting shares are held by a voting trust, which effectively controls the management of our company, and whose interests may differ from those of other shareholders.

As of April 30, 2010, a voting trust, the participants of which are members of seven families, owned 38.69% of our capital stock and 74.86% of our capital stock with full voting rights, consisting of the Series B Shares. Consequently, the voting trust has the power to elect a majority of the members of our board of directors and to play a significant or controlling role in the outcome of substantially all matters to be decided by our board of directors or our shareholders. The interests of the voting trust may differ from those of our other shareholders. See "Item 7. Major Shareholders and Related Party Transactions" and "Item 10. Additional Information—Bylaws—Voting Rights and Certain Minority Rights."

Holders of Series D-B and D-L Shares have limited voting rights.

Holders of Series D-B and D-L Shares have limited voting rights and are only entitled to vote on specific matters, such as certain changes in the form of our corporate organization, dissolution, or liquidation, a merger with a company with a distinct corporate purpose, a merger in which we are not the surviving entity, a change of our jurisdiction of incorporation, the cancellation of the registration of the Series D-B and D-L Shares and any other matters that expressly require approval from such holders under the Mexican Securities Law. As a result of these limited voting rights, Series D-B and D-L holders will not be able to influence our business or operations. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders" and "Item 10. Additional Information—Bylaws—Voting Rights and Certain Minority Rights."

Holders of ADSs may not be able to vote at our shareholder meetings.

Our shares are traded on the New York Stock Exchange, NYSE, in the form of ADSs. We cannot assure you that holders of our shares in the form of ADSs will receive notice of shareholders' meetings from our ADS depositary in sufficient time to enable such holders to return voting instructions to the ADS depositary in a timely manner. In the event that instructions are not received with respect to any shares underlying ADSs, the ADS depositary will, subject to certain limitations, grant a proxy to a person designated by us in respect of these shares. In the event that this proxy is not granted, the ADS depositary will vote these shares in the same manner as the majority of the shares of each class for which voting instructions are received.

Holders of BD Units in the United States and holders of ADSs may not be able to participate in any future preemptive rights offering and as a result may be subject to dilution of their equity interests.

Under applicable Mexican law, if we issue new shares for cash as a part of a capital increase, other than in connection with a public offering of newly issued shares or treasury stock, we are generally required to grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. We may not legally allow holders of our shares or ADSs who are located in the United States to exercise any preemptive rights in any future capital increases unless (1) we file a registration statement with the SEC with respect to that future issuance of shares or (2) the offering qualifies for an exemption from the registration requirements of the U.S. Securities Act of 1933. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a

registration statement with the SEC, as well as the benefits of preemptive rights to holders of our shares in the form of ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We may decide not to file a registration statement with the SEC to allow holders of our shares or ADSs who are located in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, the sale by the ADS depositary of preemptive rights and the distribution of the proceeds from such sales to the holders of our shares in the form of ADSs is not possible. As a result, the equity interest of holders of our shares in the form of ADSs would be diluted proportionately. See "Item 10. Additional Information—Bylaws—Preemptive Rights."

The protections afforded to minority shareholders in Mexico are different from those afforded to minority shareholders in the United States.

Under Mexican law, the protections afforded to minority shareholders are different from, and may be less than, those afforded to minority shareholders in the United States. Mexican laws do not provide a remedy to shareholders relating to violations of fiduciary duties. There is no procedure for class actions as such actions are conducted in the United States and there are different procedural requirements for bringing shareholder lawsuits against directors for the benefit of companies. Therefore, it may be more difficult for minority shareholders to enforce their rights against us, our directors or our controlling shareholders than it would be for minority shareholders of a United States company.

Investors may experience difficulties in enforcing civil liabilities against us or our directors, officers and controlling persons.

FEMSA is organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and their respective assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them, including any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

Developments in other countries may adversely affect the market for our securities.

The market value of securities of Mexican companies is, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reaction to developments in one country can have effects on the securities of issuers in other countries, including Mexico. We cannot assure you that events elsewhere, especially in emerging markets, will not adversely affect the market value of our securities.

The failure or inability of our subsidiaries to pay dividends or other distributions to us may adversely affect us and our ability to pay dividends to holders of ADSs.

FEMSA is a holding company. Accordingly, FEMSA's cash flows are principally derived from dividends, interest and other distributions made to FEMSA by its subsidiaries. Currently, FEMSA's subsidiaries do not have contractual obligations that require them to pay dividends to FEMSA. In addition, debt and other contractual obligations of our subsidiaries may in the future impose restrictions on our subsidiaries' ability to make dividend or other payments to FEMSA, which in turn may adversely affect FEMSA's ability to pay dividends to shareholders and meet its debt and other obligations. As of December 31, 2009, FEMSA had no restrictions on its ability to pay dividends. Given the exchange 100% of our FEMSA Cerveza business for a 20% interest in the Heineken Group, FEMSA's non-controlling shareholder position in Heineken means that it will be unable to require payment of dividends with respect to the Heineken shares.

Risks Related to Mexico and the Other Countries in Which We Operate

Adverse economic conditions in Mexico may adversely affect our financial position and results of operations.

We are a Mexican corporation, and our Mexican operations are our single most important geographic territory. Given the exchange of 100% of our FEMSA Cerveza business for a 20% interest in the Heineken Group, FEMSA shareholders may face a lesser degree of exposure with respect to economic conditions in Mexico and a greater degree of indirect exposure to the political, economic and social circumstances affecting the markets in which Heineken is present. For the year ended December 31, 2009, 64% of our consolidated total revenues were attributable to Mexico. The Mexican economy is currently experiencing a downturn as a result of the impact of the global financial crisis on many emerging economies that began in the second half of 2008. However, in the first quarter of 2010, Mexican gross domestic product, or GDP, increased by approximately 4.3% on an annualized basis compared to the same period in 2009 due to an improvement in the manufacturing and services sectors of the economy and marking the beginning of the economic recovery since the 2008 downturn. The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, further deterioration in economic conditions in, or delays in recovery of, the U.S. economy may hinder any recovery in Mexico. In the past, Mexico has experienced both prolonged periods of weak economic conditions and deteriorations in economic conditions that have had a negative impact on our results of operations. Given the continuing global macroeconomic downturn in 2009 and possibly 2010, which also affected the Mexican economy, we cannot assure you that such conditions will not have a material adverse effect on our results of operations and financial position.

Our business may be significantly affected by the general condition of the Mexican economy, or by the rate of inflation in Mexico, interest rates in Mexico and exchange rates for, or exchange controls affecting, the Mexican peso. Decreases in the growth rate of the Mexican economy, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. Because a large percentage of our costs and expenses are fixed, we may not be able to reduce costs and expenses upon the occurrence of any of these events, and our profit margins may suffer as a result.

In addition, an increase in interest rates in Mexico would increase the cost to us of variable rate debt, which constituted 53.8% of our total debt as of December 31, 2009 (including the effect of interest rate swaps), and have an adverse effect on our financial position and results of operations. During 2009, due to constraints in the international credit market and limited credit availability in the international markets, as well as changes in the currency mix of our debt, our weighted average interest rate decreased by 1.6 basis points.

Depreciation of the Mexican peso relative to the U.S. dollar could adversely affect our financial position and results of operations.

Depreciation of the Mexican peso relative to the U.S. dollar increases the cost to us of a portion of the raw materials we acquire, the price of which is paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars and thereby negatively affects our financial position and results of operations. A severe devaluation or depreciation of the Mexican peso may result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert Mexican pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated debt or obligations in other currencies. Although the value of the Mexican peso against the U.S. dollar had been fairly stable until mid-2008, in the fourth quarter of 2008, the Mexican peso depreciated approximately 27% compared to the fourth quarter of 2007. During 2009, the Mexican peso experienced a recovery of approximately 6% compared to the year of 2008, and in the first quarter of 2010, the Mexican peso has appreciated approximately 6% compared to the fourth quarter of 2009.

While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could institute restrictive exchange rate policies in the future, as it has done in the past. Currency fluctuations may have an adverse effect on our financial position, results of operations and cash flows in future periods.

When the financial markets are volatile, as they have been in recent periods, our results of operations may be substantially affected by variations in exchange rates and commodity prices, and to a lesser degree, interest rates. These effects include foreign exchange gain and loss on assets and liabilities denominated in U.S. dollars, fair value gain and loss on derivative financial instruments, commodities prices and changes in interest income and interest expense. These effects can be much more volatile than our operating performance and our operating cash flows.

Political events in Mexico could adversely affect our operations.

Mexican political events may significantly affect our operations. Presidential elections in Mexico occur every six years, and the most recent election occurred in July 2006. Elections of the senate also occurred in July 2006, and although the *Partido Acción Nacional* won a plurality of the seats in the Mexican congress in the election, no party succeeded in securing a majority. Elections of the *Cámara de Diputados* (House of Representatives) occurred in 2009, and although the *Partido Revolucionario Institucional* won a plurality of seats in the House of Representatives, no party succeeded in securing a majority. The absence of a clear majority by a single party is likely to continue even after the election of local, state and congress representatives in 2009. This situation may result in government gridlock and political uncertainty. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition or results of operations.

Insecurity in Mexico could increase and adversely affect our results.

The presence and increasing levels of violence among drug cartels, and between these and the Mexican law enforcement and armed forces, pose a risk to our business. Organized criminal activity and related violent incidents increased during 2009 and are relatively concentrated along the northern Mexican border, as well as in certain other Mexican states such as Sinaloa and Michoacán. Mexican President Felipe Calderón has acted to fight the drug cartels and has disrupted the balance of power among them. The principal driver of organized criminal activity is the drug trade that aims to supply and profit from the uninterrupted demand for drugs from the United States. This situation could impact our business because consumer habits and patterns adjust to the increased perceived and real insecurity as people refrain from going out as much and gradually shift some on-premise consumption to off-premise consumption of food and beverages on certain social occasions. Insecurity could increase and could therefore adversely affect our operational and financial results.

Depreciation of local currencies in other Latin American countries in which we operate may adversely affect our financial position.

Total revenues increased in certain of our non-Mexican beverage operations at a higher rate relative to their respective Mexican operations in 2009. This higher rate of total revenue growth could result in a greater contribution to the respective results of operations for these territories, but may also expose us to greater risk in these territories as a result. The devaluation of the local currencies against the U.S. dollar in our non-Mexican territories can increase our operating costs in these countries, and depreciation of the local currencies against the Mexican peso can negatively affect our results of operations for these countries. In recent years, the value of the currency in the countries in which we operate had been relatively stable. Future currency devaluation or the imposition of exchange controls in any of these countries, including Mexico, would have an adverse effect on our financial position and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

The Company

Overview

We are a Mexican company headquartered in Monterrey, Mexico, and our origin dates back to 1890. Our company was incorporated on May 30, 1936 and has a duration of 99 years. Our legal name is Fomento Económico Mexicano, S.A.B. de C.V., and in commercial contexts we frequently refer to ourselves as FEMSA. Our principal executive offices are located at General Anaya No. 601 Pte., Colonia Bella Vista, Monterrey, Nuevo León 64410,

Mexico. Our telephone number at this location is (52-81) 8328-6000. Our website is www.femsa.com. We are organized as a *sociedad anónima bursátil de capital variable* under the laws of Mexico.

We conduct our operations through the following principal holding companies, each of which we refer to as a principal sub-holding company:

- Coca-Cola FEMSA, which engages in the production, distribution and marketing of soft drinks; and
- FEMSA Comercio, which operates convenience stores.

On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group. See "Item 5. Operating and Financial Review and Prospects—Recent Developments" and "Item 10. Additional Information—Material Contracts." As required in this annual report, any financial and operating information presented in relation to FEMSA Cerveza is for the periods ended on December 31, 2009, 2008 and 2007, when we had control over this segment.

Corporate Background

FEMSA traces its origins to the establishment of Mexico's first brewery, Cervecería Cuauhtémoc, S.A., which we refer to as Cuauhtémoc, that was founded in 1890 by four Monterrey businessmen: Francisco G. Sada, José A. Muguerza, Isaac Garza and José M. Schneider. Descendants of certain of the founders of Cuauhtémoc control our company.

The strategic integration of our company dates back to 1936 when our packaging operations were established to supply crown caps to the brewery. During this period, these operations were part of what was known as the Monterrey Group, which also included interests in banking, steel and other packaging operations.

In 1974, the Monterrey Group was split between two branches of the descendants of the founding families of Cuauhtémoc. The steel and other packaging operations formed the basis for the creation of Corporación Siderúrgica, S.A. (later Alfa, S.A.B. de C.V.), controlled by the Garza Sada family, and the beverage and banking operations were consolidated under the FEMSA corporate umbrella, controlled by the Garza Lagüera family. FEMSA's shares were first listed on the Mexican Stock Exchange on September 19, 1978. Between 1977 and 1981, FEMSA diversified its operations through acquisitions in the soft drinks and mineral water industries, the establishment of the first convenience stores under the trade name OXXO and other investments in the hotel, construction, auto parts, food and fishing industries, which were considered non-core businesses and were subsequently divested.

In August 1982, the Mexican government suspended payment on its international debt obligations and nationalized the Mexican banking system. In 1985, certain controlling shareholders of FEMSA acquired a controlling interest in Cervecería Moctezuma, S.A., which was then Mexico's third-largest brewery and which we refer to as Moctezuma, and related companies in the packaging industry. FEMSA subsequently undertook an extensive corporate and financial restructuring that was completed in December 1988, and pursuant to which FEMSA's assets were combined under a single corporate entity, which became Grupo Industrial Emprex, S.A. de C.V., which we refer to as Emprex.

In October 1991, certain majority shareholders of FEMSA acquired a controlling interest in Bancomer, S.A., which we refer to as Bancomer. The investment in Bancomer was undertaken as part of the Mexican government's reprivatization of the banking system, which had been nationalized in 1982. The Bancomer acquisition was financed in part by a subscription by Emprex's shareholders, including FEMSA, of shares in Grupo Financiero Bancomer, S.A. de C.V. (currently Grupo Financiero BBVA Bancomer, S.A. de C.V.), which we refer to as BBVA Bancomer, the Mexican financial services holding company that was formed to hold a controlling interest in Bancomer. In February 1992, FEMSA offered Emprex's shareholders the opportunity to exchange the BBVA Bancomer shares to which they were entitled for Emprex shares owned by FEMSA. In August 1996, the shares of

BBVA Bancomer that were received by FEMSA in the exchange with Emprex's shareholders were distributed as a dividend to FEMSA's shareholders.

Upon the completion of these transactions, we began a series of strategic transactions to strengthen the competitive positions of our operating subsidiaries. These transactions included the sale of a 30% strategic interest in Coca-Cola FEMSA to a wholly-owned subsidiary of The Coca-Cola Company and a subsequent public offering of Coca-Cola FEMSA shares, both of which occurred in 1993, and the sale of a 22% strategic interest in FEMSA Cerveza to Labatt Brewing Company Limited, which we refer to as Labatt, in 1994. Labatt, which was later acquired by InBev S.A., or InBev (known at the time of the acquisition of Labatt as Interbrew and currently referred to as A-B InBev), subsequently increased its interest in FEMSA Cerveza to 30%.

In 1998, we completed a reorganization that:

- simplified our capital structure by converting our outstanding capital stock at the time of the reorganization into BD Units and B Units, and
- united the shareholders of FEMSA and the former shareholders of Emprex at the same corporate level through an exchange offer that was consummated on May 11, 1998.

As part of the reorganization, FEMSA listed ADSs on the New York Stock Exchange representing BD Units, and listed the BD Units and its B Units on the Mexican Stock Exchange.

In May 2003, our subsidiary Coca-Cola FEMSA expanded its operations throughout Latin America by acquiring 100% of Panamco México, S.A. de C.V, which we refer to as Panamco, then the largest soft drink bottler in Latin America in terms of sales volume in 2002. Through its acquisition of Panamco, Coca-Cola FEMSA began producing and distributing *Coca-Cola* trademark beverages in additional territories in Mexico, Central America, Colombia, Venezuela and Brazil, along with bottled water, beer and other beverages in some of these territories. The Coca-Cola Company and its subsidiaries received Series D Shares in exchange for their equity interest in Panamco of approximately 25%.

On August 31, 2004, we consummated a series of transactions with InBev, Labatt and certain of their affiliates to terminate the existing arrangements between FEMSA Cerveza and Labatt. As a result of these transactions, FEMSA acquired 100% ownership of FEMSA Cerveza and previously existing arrangements among affiliates of FEMSA and InBev relating to governance, transfer of ownership and other matters with respect to FEMSA Cerveza were terminated.

On June 1, 2005, we consummated an equity offering of 80.5 million BD Units (including BD Units in the form of ADSs) and 52.78 million B units that resulted in net proceeds to us of US$ 700 million after underwriting spreads and commissions. We used the proceeds of the equity offering to refinance indebtedness incurred in connection with the transactions with InBev, Labatt and certain of their affiliates.

On January 13, 2006, FEMSA Cerveza, through one of its subsidiaries, acquired 68% of the equity of the Brazilian brewer Kaiser from the Molson Coors Brewing Company, or Molson Coors, for US$ 68 million. Molson Coors retained a 15% ownership stake in Kaiser, while Heineken N.V.'s ownership of 17% remained unchanged. In December 2006, Molson Coors completed its exit from Kaiser by exercising its option to sell its 15% holding to FEMSA Cerveza. On December 22, 2006, FEMSA Cerveza made a capital increase of US$ 200 million in Kaiser. At the time, Heineken N.V. elected not to participate in the increase, thereby diluting its 17% interest in Kaiser to 0.17%, and FEMSA Cerveza thereby increasing its stake to 99.83% of the equity of Kaiser, however, in August 2007, Femsa Cerveza and Heineken N.V. closed a stock purchase agreement whereby Heineken N.V. purchased the shares necessary to regain its 17% interest in Kaiser. As a result of this transaction, FEMSA Cerveza obtained ownership of 83% of Kaiser and Heineken N.V. obtained ownership of 17%.

On November 3, 2006, we acquired from certain subsidiaries of The Coca-Cola Company 148,000,000 Series "D" shares of Coca-Cola FEMSA, representing 8.02% of the total outstanding stock of Coca-Cola FEMSA. We acquired these shares at a price of US$ 2.888 per share, or US$ 427.4 million in the aggregate, pursuant to a

Memorandum of Understanding with The Coca-Cola Company. As of June 18, 2010, FEMSA indirectly owns 53.7% of the capital stock of Coca-Cola FEMSA (63.0% of its capital stock with full voting rights) and The Coca-Cola Company indirectly owns 31.6% of the capital stock of Coca-Cola FEMSA (37.0% of its capital stock with full voting rights). The remaining 14.7% of its capital consists of Series L Shares with limited voting rights, which trade on the Mexican Stock Exchange and on the New York Stock Exchange in the form of ADSs under the trading symbol KOF.

In March 2007, at our company's AGM, our shareholders approved a three-for-one stock split of FEMSA's outstanding stock and our ADSs traded on the NYSE. The pro rata stock split had no effect on the ownership structure of FEMSA. The new units issued in the stock split were distributed by the Mexican Stock Exchange on May 28, 2007, to holders of record as of May 25, 2007, and ADSs traded on the NYSE were distributed on May 30, 2007, to holders of record as of May 25, 2007.

On November 8, 2007, Administración, S.A.P.I. de C.V., or Administración S.A.P.I., a Mexican company owned directly or indirectly by Coca-Cola FEMSA and by The Coca-Cola Company, acquired 58,350,908 shares representing 100% of the shares of the capital stock of Jugos del Valle, for US$ 370 million in cash, with assumed liabilities of US$ 86 million. On June 30, 2008, Administración S.A.P.I. and Jugos del Valle merged, and Jugos del Valle became the surviving entity. Subsequent to the initial acquisition of Jugos del Valle, Coca-Cola FEMSA offered to sell 30% of its interest in Administración S.A.P.I. to other Coca-Cola bottlers in Mexico. As of December 31, 2009 and 2008, Coca-Cola FEMSA has a recorded investment of 19.8% of the capital stock of Jugos del Valle. In December 2008, the surviving Jugos del Valle entity sold its operations to The Coca-Cola Company, Coca-Cola FEMSA and other bottlers of *Coca-Cola* trademark brands in Brazil. These still beverage operations were integrated into a joint business with The Coca-Cola Company in Brazil. Through Coca-Cola FEMSA's joint ventures with The Coca-Cola Company, we distribute the Jugos del Valle line of juice-based beverages and have begun to develop and distribute new products.

On April 22, 2008, FEMSA shareholders approved a proposal to amend our bylaws in order to preserve the unit structure for our shares that has been in place since May 1998, and to maintain our existing share structure beyond May 11, 2008. Our bylaws previously provided that on May 11, 2008 our Series D-B Shares would convert into Series B Shares and our Series D-L Shares would convert into Series L Shares with limited voting rights. In addition, our bylaws provided that on May 11, 2008, our current unit structure would cease to exist and each of our B Units would be unbundled into five Series B Shares, while each BD Unit would unbundle into three Series B Shares and two newly issued Series L Shares. Following the April 22, 2008, shareholder approvals, the automatic conversion of our share and unit structures no longer exist, and, absent shareholder action, our share structure will continue to be comprised of Series B Shares, which must represent not less than 51% of our outstanding capital stock, and Series D-B and Series D-L Shares, which together may represent up to 49% of our outstanding capital stock. Our Unit structure, absent shareholder action, will continue to consist of B Units, which bundle five Series B Shares, and BD Units, which bundle one Series B Share, two Series D-B Shares and two Series D-L Shares. See "Item 9. The Offer and Listing—Description of Securities."

In May 2008, Coca-Cola FEMSA completed its acquisition of REMIL in Brazil for US$ 364.1 million, net of cash received, and assumed liabilities of US$ 196.9 million. In connection with the acquisition, Coca-Cola FEMSA identified intangible assets of indefinite life of US$ 224.7 million.

On January 11, 2010, FEMSA announced that its Board of Directors unanimously approved a definitive agreement under which FEMSA would exchange its FEMSA Cerveza business for a 20% economic interest in Heineken, one of the world's leading brewers. The principal terms of the Heineken transaction documents are summarized below in "Item 10. Additional Information—Material Contracts."

On March 10, 2010, FEMSA announced that subsidiaries of FEMSA signed an agreement with subsidiaries of The Coca-Cola Company to amend the shareholders agreement for Coca-Cola FEMSA. The main purpose of the amendment is to set forth that the appointment and compensation of the chief executive officer and all officers reporting to the chief executive officer, as well as the adoption of decisions related to the ordinary operations of Coca-Cola FEMSA, shall only require a simple majority vote of the board of directors. Decisions related to extraordinary matters (such as business acquisitions or combinations in an amount exceeding US$ 100 million, among others) shall continue to require the vote of the majority of the board of directors, including the affirmative

vote of two of the board members appointed by The Coca-Cola Company. The amendment was approved at Coca-Cola FEMSA's extraordinary shareholders meeting on April 14, 2010, and is reflected in the by-laws of Coca-Cola FEMSA. This amendment was signed without transfer of any consideration. The percentage of our voting interest in our subsidiary Coca-Cola FEMSA remains the same after the signing of this amendment.

On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group. The principal terms of the Heineken transaction documents are summarized below in "Item 10. Additional Information—Material Contracts."

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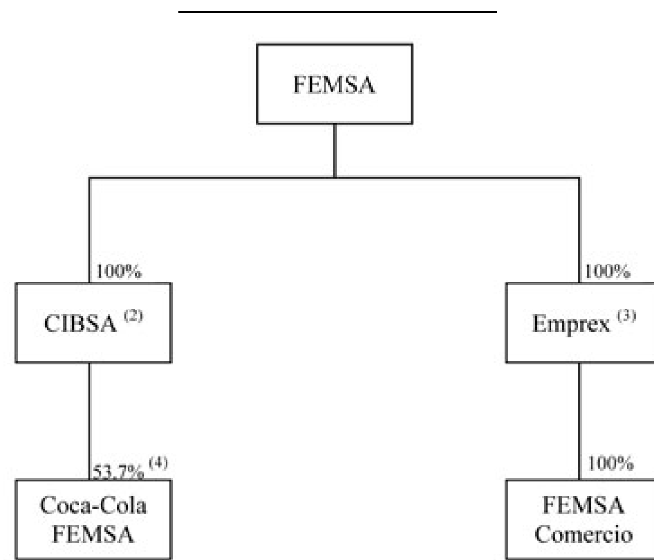
Ownership Structure

We conduct our business through our principal sub-holding companies as shown in the following diagram and table:

Principal Sub-holding Companies[1]—Ownership Structure

As of April 30, 2010



(1) On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group.

(2) Compañía Internacional de Bebidas, S.A. de C.V., which we refer to as CIBSA.

(3) Grupo Industrial Emprex, S.A. de C.V.

(4) Percentage of capital stock, equal to 63.0% of capital stock with full voting rights.

The following tables present an overview of our operations by reportable segment and by geographic region under Mexican Financial Reporting Standards:

Operations by Segment—Overview
Year Ended December 31, 2009 and % of growth vs. last year(1)

	Coca-Cola FEMSA		FEMSA Cerveza		FEMSA Comercio	
	(in millions of Mexican pesos, except for employees and percentages)					
Total revenues	Ps.102,767	23.9%	Ps.46,336	9.3%	Ps.53,549	13.6%
Income from operations	15,835	15.6	5,894	9.3	4,457	44.8
Total assets	110,661	13.0	72,029	6.2	19,693	14.6
Employees	67,426	3.7	24,741(2)	(4.9)	23,473	7.7

Total Revenues Summary by Segment(1)

	Year Ended December 31,		
	2009	2008	2007
	(in millions of Mexican pesos)		
Coca-Cola FEMSA	102,767	Ps. 82,976	Ps. 69,251
FEMSA Cerveza	46,336	42,385	39,566
FEMSA Comercio	53,549	47,146	42,103
Other	12,302	9,401	8,124
Consolidated total revenues	197,033	Ps.168,022	Ps.147,556

Total Revenues Summary by Geographic Region(3)

	Year Ended December 31,		
	2009	2008	2007
	(in millions of Mexican pesos)		
Mexico(4)	Ps.126,872	Ps.114,640	Ps.106,136
Latincentro(5)	16,211	12,853	11,901
Venezuela	22,448	15,217	9,792
Mercosur(6)	32,362	25,755	20,127
Consolidated total revenues	197,033	Ps.168,022	Ps.147,556

(1) The sum of the financial data for each of our segments and percentages with respect thereto differ from our consolidated financial information due to intercompany transactions, which are eliminated in consolidation, and certain assets and activities of FEMSA.

(2) Includes employees of third-party distributors.

(3) The sum of the financial data for each geographic region differs from our consolidated financial information due to intercompany transactions, which are eliminated in consolidation.

(4) Includes export sales.

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

(6) Includes Brazil and Argentina.

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Significant Subsidiaries

The following table sets forth our significant subsidiaries as of April 30, 2010:

Name of Company	Jurisdiction of Establishment	Percentage Owned
CIBSA	Mexico	100.0%
Coca-Cola FEMSA[1]	Mexico	53.7%
Propimex, S.A. de C.V.	Mexico	53.7%
Controladora Interamericana de Bebidas, S.A. de C.V.	Mexico	53.7%
Coca-Cola FEMSA de Venezuela, S.A. (formerly, Panamco Venezuela, S.A. de C.V.)	Venezuela	53.7%
Spal Industria Brasileira de Bebidas, S.A.	Brazil	52.5%
FEMSA Comercio	Mexico	100.0%

(1) Percentage of capital stock. FEMSA owns 63.0% of the capital stock with full voting rights.

Business Strategy

We are a consumer-focused company that strives to combine world-class execution with leading brands. Our soft drink operation, Coca-Cola FEMSA, is the largest bottler of Coca-Cola products in Latin America, and the second largest in the world, measured in terms of sales volumes in 2009. Our convenience store chain OXXO is the largest in Mexico with a total of 7,492 stores as of March 31, 2010 and a significant growth driver in its own right.

We understand the importance of connecting with our end consumers by interpreting their needs, and ultimately delivering the right products to them for the right occasions and the optimal value proposition. We strive to achieve this by developing brand value, expanding our significant distribution capabilities, and improving the efficiency of our operations while aiming to reach our full potential. We continue to improve our information gathering and processing systems in order to better know and understand what our consumers want and need, and we are improving our production and distribution by more efficiently leveraging our asset base.

We believe that the competencies that our businesses have developed can be replicated in other geographic regions. This underlying principle guided our consolidation efforts, which culminated in Coca-Cola FEMSA's acquisition of Panamco on May 6, 2003. The continental platform that this combination produced—encompassing a significant territorial expanse in Mexico and Central America, including some of the most populous metropolitan areas in Latin America—has provided us with opportunities to create value through both an improved ability to execute our strategies and the use of superior marketing tools. As we increase our capabilities to operate and succeed in other geographic regions, by developing an understanding of local consumer needs and trends, we can use those capabilities to drive the international expansion of OXXO as well.

Our ultimate objectives are achieving sustainable revenue growth, improving profitability and increasing the return on invested capital in each of our operations. We believe that by achieving these goals we will create sustainable value for our shareholders.

Coca-Cola FEMSA

Overview

Coca-Cola FEMSA is the largest bottler of *Coca-Cola* trademark beverages in Latin America, and the second largest in the world, calculated in each case by sales volume in 2009. Coca-Cola FEMSA operates in the following territories:

- Mexico – a substantial portion of central Mexico (including Mexico City and the states of Michoacán and Guanajuato) and southeast Mexico (including the Gulf region).

- Central America – Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide) and Panama (nationwide).
- Colombia – most of the country.
- Venezuela – nationwide.
- Argentina – Buenos Aires and surrounding areas.
- Brazil – the area of greater São Paulo, Campinas, Santos, the state of Mato Grosso do Sul, the state of Minas Gerais and part of the state of Goiás.

Coca-Cola FEMSA was organized on October 30, 1991 as a *sociedad anónima de capital variable* (a variable capital stock corporation) under the laws of Mexico with a duration of 99 years. On December 5, 2006, in response to amendments to the Mexican Securities Law, Coca-Cola FEMSA became a *sociedad anónima bursátil de capital variable* (a variable capital listed stock corporation). Coca-Cola FEMSA's principal executive offices are located at Guillermo González Camarena No. 600, Col. Centro de Ciudad Santa Fé, Delegación Álvaro Obregón, México, D.F., 01210, México. Coca-Cola FEMSA's telephone number at this location is (52-55) 5081-5100. Coca-Cola FEMSA's website is www.coca-colafemsa.com.

The following is an overview of Coca-Cola FEMSA's operations by segment in 2009:

Operations by Segment—Overview
Year Ended December 31, 2009[1]

	Total Revenues	Percentage of Total Revenues	Income from Operations	Percentage of Income from Operations
Mexico	36,785	36%	6,849	43%
Latincentro[2]	15,993	15%	2,937	19%
Venezuela	22,430	22%	1,815	11%
Mercosur[3]	27,559	27%	4,234	27%
Consolidated	102,767	100%	15,835	100%

(1) Expressed in millions of Mexican pesos, except for percentages.

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

(3) Includes Brazil and Argentina.

Corporate History

In 1979, one of our subsidiaries acquired certain sparkling beverage bottlers that are now a part of its company. At that time, the acquired bottlers had 13 Mexican distribution centers operating 701 distribution routes, and their production capacity was 83 million physical cases. In 1991, FEMSA transferred its ownership in the bottlers to FEMSA Refrescos, S.A. de C.V., the corporate predecessor to Coca-Cola FEMSA, S.A.B. de C.V.

In June 1993, a subsidiary of The Coca-Cola Company subscribed for 30% of Coca-Cola FEMSA capital stock in the form of Series D Shares for US$ 195 million. In September 1993, FEMSA sold Series L Shares that represented 19% of Coca-Cola FEMSA's capital stock to the public, and Coca-Cola FEMSA listed these shares on the Mexican Stock Exchange and, in the form of ADSs, on the New York Stock Exchange. In a series of transactions between 1994 and 1997, Coca-Cola FEMSA acquired territories in Argentina and additional territories in southern Mexico.

In May 2003, Coca-Cola FEMSA acquired Panamco and began producing and distributing *Coca-Cola* trademark beverages in additional territories in the central and the gulf regions of Mexico and in Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela and Brazil, along with bottled water, beer and other beverages in some of these territories. As a result of the acquisition, the interest of The Coca-Cola Company in the capital stock of Coca-Cola FEMSA increased from 30% to 39.6%.

During August 2004, Coca-Cola FEMSA conducted a rights offering to allow existing holders of its Series L Shares and ADSs to acquire newly-issued Series L Shares in the form of Series L Shares and ADSs, respectively, at the same price per share at which ourselves and The Coca-Cola Company subscribed in connection with the Panamco acquisition. On March 8, 2006, its shareholders approved the non-cancellation of the 98,684,857 Series L Shares (equivalent to approximately 9.87 million ADSs, or over one-third of the outstanding Series L Shares) that were not subscribed for in the rights offering which are available for issuance at an issuance price of no less than US$ 2.216 per share or its equivalent in Mexican currency.

On November 3, 2006, we acquired, through a subsidiary, 148,000,000 of Coca-Cola FEMSA Series D Shares from certain subsidiaries of The Coca-Cola Company representing 9.4% of the total outstanding voting shares and 8.0% of the total outstanding equity, at a price of US$ 2.888 per share for an aggregate amount of US$ 427.4 million. With this purchase, we increased our ownership to 53.7% of Coca-Cola FEMSA capital stock. Pursuant to Coca-Cola FEMSA bylaws, the acquired shares were converted from Series D Shares to Series A Shares.

On November 8, 2007, a Mexican company owned directly or indirectly by Coca-Cola FEMSA and The Coca-Cola Company, acquired 100% of the shares of capital stock of Jugos del Valle. See "—The Company—Corporate Background."

In December 2008, Jugos del Valle sold its Brazilian operations, Holdinbrás, Ltd. to a subsidiary of The Coca-Cola Company, Coca-Cola FEMSA and other bottlers of *Coca-Cola* trademark brands in Brazil. These operations were integrated into the Sucos Mais business, a joint venture with The Coca-Cola Company in Brazil.

On May 30, 2008, Coca-Cola FEMSA entered into a transaction with The Coca-Cola Company to acquire its wholly-owned bottling territory, REMIL, located in the State of Minas Gerais in Brazil. During the second quarter of 2008, Coca-Cola FEMSA closed this transaction for US$ 364.1 million. Coca-Cola FEMSA consolidates REMIL in its financial statements as of June 1, 2008.

In December 2007 and May 2008, Coca-Cola FEMSA sold most of its proprietary brands to The Coca-Cola Company for a total amount of US$ 64 million. Both of these transactions were conducted on an arm's length basis. These trademarks are now being licensed to Coca-Cola FEMSA by The Coca-Cola Company subject to existing bottler agreements.

In July 2008, Coca-Cola FEMSA acquired Agua de los Angeles, S.A. de C.V. (Agua de los Angeles), a jug water business in the Valley of Mexico, from Grupo Embotellador CIMSA S.A. de C.V., one of the Coca-Cola bottlers in Mexico, for US$ 18.3 million. The trademarks remain with The Coca-Cola Company. Coca-Cola FEMSA subsequently merged Agua de los Angeles into its jug water business under the *Ciel* brand.

In February 2009, Coca-Cola FEMSA completed the transaction with Bavaria, a subsidiary of SABMiller, to jointly acquire with The Coca-Cola Company the *Brisa* bottled water business (including the *Brisa* brand). The purchase price of US$ 92 million was shared equally by Coca-Cola FEMSA and The Coca-Cola Company. Following a transition period, in June 2009, Coca-Cola FEMSA began to sell and distribute the *Brisa* portfolio of products in Colombia.

In May 2009, Coca-Cola FEMSA entered into an agreement to develop the *Crystal* trademark water products in Brazil jointly with The Coca-Cola Company.

As of June 18, 2010, we indirectly owned Series A Shares equal to 53.7% of Coca-Cola FEMSA capital stock (63.0% of its capital stock with full voting rights). As of June 18, 2010, The Coca-Cola Company indirectly owned Series D Shares equal to 31.6% of the capital stock of Coca-Cola FEMSA (37% of Coca-Cola FEMSA's capital stock with full voting rights). Series L Shares with limited voting rights, which trade on the Mexican Stock Exchange and in the form of ADSs on the New York Stock Exchange, constitute the remaining 14.7% of Coca-Cola FEMSA's capital stock.

Business Strategy

Coca-Cola FEMSA is the largest bottler of *Coca-Cola* trademark beverages in Latin America in terms of total sales volume in 2009, with operations in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Argentina and Brazil. While its corporate headquarters are in Mexico City, it has established divisional headquarters in the following three regions:

- Mexico with headquarters in Mexico City;
- Latincentro (covering territories in Guatemala, Nicaragua, Costa Rica, Panama, Colombia and Venezuela) with headquarters in San José, Costa Rica; and
- Mercosur (covering territories in Argentina and Brazil) with headquarters in São Paulo, Brazil.

Coca-Cola FEMSA seeks to provide its shareholders with an attractive return on their investment by increasing its profitability. The key factors in achieving increased revenues and profitability are (1) implementing multi-segmentation strategies in its major markets to target distinct market clusters divided by consumption occasion, competitive intensity and socioeconomic levels; (2) implementing well-planned product, packaging and pricing strategies through different distribution channels; and (3) driving product innovation along its different product categories and (4) achieving operational efficiencies throughout its company. To achieve these goals Coca-Cola FEMSA continues to focus its efforts on, among other initiatives, the following:

- working with The Coca-Cola Company to develop a business model to continue exploring and participating in new lines of beverages, extending existing product lines and effectively advertising and marketing its products;
- developing and expanding its still beverage portfolio through strategic acquisitions and by entering into joint ventures with The Coca-Cola Company;
- expanding its bottled water strategy, in conjunction with The Coca-Cola Company through innovation and selective acquisitions to maximize its profitability across its market territories;
- strengthening its selling capabilities and go-to-market strategies, including pre-sale, conventional selling and hybrid routes, in order to get closer to its clients and help them satisfy the beverage needs of consumers;
- implementing packaging strategies designed to increase consumer demand for its products and to build a strong returnable base for the *Coca-Cola* brand selectively;
- replicating its best practices throughout the whole value chain;
- rationalizing and adapting its organizational and asset structure in order to be in a better position to respond to a changing competitive environment;
- committing to building a multi-cultural collaborative team, from top to bottom; and
- broadening its geographical footprint through organic growth and strategic acquisitions.

Coca-Cola FEMSA seeks to increase per capita consumption of its products in the territories in which it operates. To that end, its marketing teams continuously develop sales strategies tailored to the different characteristics of its various territories and distribution channels. Coca-Cola FEMSA continues to develop its product portfolio to better meet market demand and maintain its overall profitability. To stimulate and respond to consumer demand, it continues to introduce new products and new presentations. See “—Product and Packaging Mix.” It also seeks to increase placement of coolers, including promotional displays, in retail outlets to showcase

and promote its products. In addition, because it views its relationship with The Coca-Cola Company as integral to its business, it uses market information systems and strategies developed with The Coca-Cola Company to improve its business and marketing strategies. See "—Marketing—Channel Marketing."

In each of its facilities, Coca-Cola FEMSA seeks to increase productivity in its facilities through infrastructure and process reengineering for improved asset utilization. Its capital expenditure program includes investments in production and distribution facilities, bottles, cases, coolers and information systems. Coca-Cola FEMSA believes that this program will allow it to maintain its capacity and flexibility to innovate and to respond to consumer demand for its non-alcoholic beverages.

Finally, Coca-Cola FEMSA focuses on management quality as a key element of its growth strategy and remains committed to fostering the development of quality management at all levels. Both The Coca-Cola Company and we provide Coca-Cola FEMSA with managerial experience. To build upon these skills, Coca-Cola FEMSA also offers management training programs designed to enhance its executives' abilities and to provide a forum for exchanging experiences, know-how and talent among an increasing number of multinational executives from its new and existing territories.

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Coca-Cola FEMSA's Territories

The following map shows Coca-Cola FEMSA's territories, giving estimates in each case of the population to which it offers products, the number of retailers of its sparkling beverages and the per capita consumption of its sparkling beverages:

Per capita consumption data for a territory is determined by dividing sparkling beverage sales volume within the territory (in bottles, cans and fountain containers) by the estimated population within such territory, and is expressed on the basis of the number of eight-ounce servings of Coca-Cola FEMSA products consumed annually per capita. In evaluating the development of local volume sales in its territories and to determine product potential, Coca-Cola FEMSA and The Coca-Cola Company measure, among other factors, the per capita consumption of its sparkling beverages.

Coca-Cola FEMSA's Products

Coca-Cola FEMSA produces, markets and distributes *Coca-Cola* trademark beverages, proprietary brands and brands licensed from us. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages); water; and still beverages (including juice drinks, ready-to-drink teas and isotonics). In December 2007 and May 2008, Coca-Cola FEMSA sold most of its proprietary brands to The Coca-Cola Company. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—Business Transactions between Coca-Cola FEMSA and The Coca-Cola Company."

Colas:	Mexico	Latincentro[1]	Venezuela	Mercosur[2]
Coca-Cola	ü	ü	ü	ü
Coca-Cola light	ü	ü	ü	ü
Coca-Cola Zero	ü	ü	ü	ü

Flavored Soft Drinks:	Mexico	Latincentro[1]	Venezuela	Mercosur[2]
Aquarius Fresh				ü
Chinotto			ü	
Crush		ü		ü
Fanta	ü	ü		ü
Fresca	ü	ü		
Frescolita		ü	ü	
Hit			ü	
Kuat				ü
Lift	ü	ü		
Mundet[3]	ü			
Quatro		ü		ü
Simba				ü
Sprite	ü	ü		ü

Water:	Mexico	Latincentro[1]	Venezuela	Mercosur[2]
Alpina		ü		
Brisa		ü		
Ciel	ü			
Crystal				ü
Kin				ü
Manantial		ü		
Nevada			ü	
Santa Clara[4]		ü		ü

Other Categories:	Mexico	Latincentro[1]	Venezuela	Mercosur[2]
Aquarius				ü
Dasani[5]		ü		ü
Hi-C[6]		ü		
Jugos del Valle[6]	ü	ü		ü
Nestea	ü	ü	ü	
Powerade[7]	ü	ü	ü	ü

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

(2) Includes Brazil and Argentina.

(3) Brand licensed from FEMSA.

(4) Proprietary brand.

(5) Flavored water. In Argentina, also as still water.

(6) Juice-based beverage. Includes ValleFrut in Mexico and Fresh in Colombia.

(7) Isotonic.

Sales Overview

Coca-Cola FEMSA measures total sales volume in terms of unit cases. Unit case refers to 192 ounces of finished beverage product (24 eight-ounce servings) and, when applied to soda fountains, refers to the volume of syrup, powders and concentrate that is required to produce 192 ounces of finished beverage product. The following table illustrates its historical sales volume for each of its territories.

	Sales Volume Year Ended December 31,		
	2009	2008	2007
	(millions of unit cases)		
Mexico	1,227.2	1,149.0	1,110.4
Latincentro			
Central America[1]	135.8	132.6	128.1
Colombia[2]	232.2	197.9	197.8
Venezuela	225.2	206.7	209.0
Mercosur			
Argentina	184.1	186.0	179.4
Brazil[3]	424.1	370.6	296.1
Combined Volume	2,428.6	2,242.8	2,120.8

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

(2) As of June 1, 2009, includes sales from the *Brisa* bottled water business.

(3) Excludes beer sales volume. As of June 1, 2008, includes sales from REMIL.

Product and Packaging Mix

Out of the more than 100 brands and line extensions of beverages sold and distributed by Coca-Cola FEMSA, their most important brand, *Coca-Cola*, together with its line extensions, *Coca-Cola light*, *Coca-Cola Zero* and *Coca-Cola light caffeine free*, accounted for 61.4% of total sales volume in 2009. Coca-Cola FEMSA's next largest brands, *Ciel* (a water brand from Mexico), *Fanta* (and its line extensions), *Sprite* (and its line extensions), *ValleFrut* and *Hit*, accounted for 10.5%, 5.8%, 2.6%, 1.5% and 1.3%, respectively, of total sales volume in 2009. Coca-Cola FEMSA uses the term line extensions to refer to the different flavors in which it offers its brands. Coca-Cola FEMSA produces, markets and distributes *Coca-Cola* trademark beverages in each of its territories in containers authorized by The Coca-Cola Company, which consist of a variety of returnable and non-returnable presentations in the form of glass bottles, cans and plastic bottles made of polyethylene terephtalate, which it refers to as PET.

Coca-Cola FEMSA uses the term presentation to refer to the packaging unit in which it sells its products. Presentation sizes for its *Coca-Cola* trademark beverages range from a 6.5-ounce personal size to a 3-liter multiple serving size. For all of its products excluding water, Coca-Cola FEMSA considers a multiple serving size as equal to or larger than 1.0 liter. In general, personal sizes have a higher price per unit case as compared to multiple serving sizes. Coca-Cola FEMSA offers both returnable and non-returnable presentations, which allow Coca-Cola FEMSA to offer different combinations of convenience and price to implement revenue management strategies and to target specific distribution channels and population segments in its territories. In addition, it sells some *Coca-Cola* trademark beverage syrups in containers designed for soda fountain use, which it refers to as fountain. It also sells bottled water products in bulk sizes, which refers to presentations equal to or larger than 5 liters, that have a much lower average price per unit case than its other beverage products.

The characteristics of Coca-Cola FEMSA's territories are very diverse. Central Mexico and its territories in Argentina are densely populated and have a large number of competing sparkling beverages brands as compared to the rest of its territories. Brazil is densely populated but has lower per capita consumption of sparkling beverage products as compared to Mexico. Portions of southern Mexico, Central America and Colombia are large and mountainous areas with lower population density, lower per capita income and lower per capita consumption of

sparkling beverages. In Venezuela, Coca-Cola FEMSA faces operational disruptions from time to time, including interruptions in energy supply. In 2009, although its sparkling beverages volume increased, per capita consumption of Coca-Cola FEMSA's products has remained stable due to such short-term operating disruptions.

The following discussion analyzes Coca-Cola FEMSA's product and packaging mix by segment. The volume data presented is for the years 2009, 2008 and 2007.

Mexico. Coca-Cola FEMSA's product portfolio consists of *Coca-Cola* trademark beverages, and since 2001 has included Mundet trademark beverages licensed from FEMSA in some Mexican territories. In 2007, as part of its efforts to strengthen the *Coca-Cola* brand it launched *Coca-Cola Zero*, a line extension of the *Coca-Cola* brand. Sparkling beverage per capita consumption of its products in its Mexican territories in 2009 was 436 eight-ounce servings.

The following table highlights historical sales volume and mix in Mexico for its products:

	Year Ended December 31,		
	2009	2008	2007
	(millions of unit cases)		
Product Sales Volume			
Total	1,227.2	1,149.0	1,110.4
% Growth	6.8%	3.5%	3.7%
	(in percentages)		
Unit Case Volume Mix by Category			
Sparkling beverages	73.4%	75.4%	78.3%
Water[(1)]	21.5%	21.6%	20.7
Still beverages	5.1%	3.0%	1.0
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

Coca-Cola FEMSA's most popular sparkling beverage presentations were the 2.5-liter returnable plastic bottle, the 0.6-liter non-returnable plastic bottle (the 20-ounce bottle that is also popular in the United States) and the 2.5-liter non-returnable plastic bottle, which together accounted for 56.7% of total sparkling beverage sales volume in Mexico in 2009. In 2009, multiple serving presentations represented 66.9% of total sparkling beverages sales volume in Mexico, a 7.7% growth compared to 2008. Coca-Cola FEMSA's commercial strategy is to foster consumption in single serving presentations while maintaining multiple serving volumes. In 2009, its sparkling beverages decreased as a percentage of its total sales volume from 75% in 2008 to 73.4% in 2009, mainly due to the introduction of the Jugos del Valle line of products.

Total sales volume reached 1,227.2 million unit cases in 2009, an increase of 6.8% compared to 1,149.0 million unit cases in 2008. The still beverage category accounted for approximately 37% of the total incremental volumes during the year. Still beverage growth was mainly driven by the introduction of the Jugos del Valle line of products, especially ValleFrut.

Latincentro (Colombia and Central America). Coca-Cola FEMSA's product sales in Latincentro consist predominantly of *Coca-Cola* trademark beverages. Per capita consumption of its sparkling beverages products in Colombia and Central America was 92 and 146 eight-ounce servings, respectively, in 2009.

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The following table highlights historical total sales volume and sales volume mix in Latincentro:

	Year Ended December 31,		
	2009	2008	2007
	(millions of unit cases)		
Product Sales Volume			
Total	368.0	330.5	325.9
% Growth	11.3%	1.4%	4.7%
	(in percentages)		
Unit Case Volume Mix by Category			
Sparkling beverages	79.3%	87.9%	88.5%
Water(1)	13.0%	7.7%	8.3%
Still beverages	7.7%	4.4%	3.2%
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

In 2009, multiple serving presentations as a percentage of total sparkling beverage sales volume, represented 56.7% in Central America and 58.3% in Colombia. In 2008, as part of its efforts to strengthen the Coca-Cola brand, Coca-Cola FEMSA launched *Coca-Cola Zero,* a line extension of the *Coca-Cola* brand in Colombia. The acquisition of *Brisa* in 2009 helped Coca-Cola FEMSA to become leader, based on sales volume, in the water market in Colombia.

Total sales volume was 368.0 million unit cases in 2009, increasing 11.3% compared to 330.5 million in 2008. Water sales, including bulk water, represented approximately 60% of total incremental volume, mainly driven by the integration of the *Brisa* bottled water business in Colombia. Still beverages represented the majority of the balance, mainly driven by the introduction of the of the Jugos del Valle line of products. See "—The Company—Corporate Background."

Venezuela. Coca-Cola FEMSA's product portfolio in Venezuela consists of *Coca-Cola* trademark beverages. Sparkling beverages per capita consumption of its products in Venezuela during 2009 was 174 eight-ounce servings.

The following table highlights historical total sales volume and sales volume mix in Venezuela:

	Year Ended December 31,		
	2009	2008	2007
	(millions of unit cases)		
Product Sales Volume			
Total	225.2	206.7	209.0
% Growth	9.0%	(1.1)%	14.5%
	(in percentages)		
Unit Case Volume Mix by Category			
Sparkling beverages	91.7%	91.3%	90.4%
Water(1)	5.7%	5.8%	5.7
Still beverages	2.6%	2.9%	3.9
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

During 2009, Coca-Cola FEMSA continued facing periodic operating difficulties that prevented it from producing and distributing to satisfy market demand for its products. Coca-Cola FEMSA implemented a product portfolio rationalization strategy to minimize the impact of these disruptions, which led to an increase in sales in 2009 as compared to 2008. Coca-Cola FEMSA's sparkling beverage volume grew 9.4% mainly driven by flavored sparkling beverages.

In 2009, multiple serving presentations represented 77.2% of total sparkling beverages sales volume in Venezuela. Total sales volume was 225.2 million unit cases in 2009, an increase of 9.0% compared to 206.7 million in 2008.

Mercosur (Brazil and Argentina). Coca-Cola FEMSA's product portfolio in Mercosur consists mainly of *Coca-Cola* trademark beverages and the *Kaiser* beer brand in Brazil, which Coca-Cola FEMSA sells and distributes on behalf of FEMSA Cerveza. Sparkling beverages per capita consumption of its products in Brazil and Argentina was 214 and 359 eight-ounce servings, respectively, in 2009.

The following table highlights historical total sales volume and sales volume mix in Mercosur, not including beer:

	Year Ended December 31,		
	2009	2008	2007
	(millions of unit cases)		
Product Sales Volume			
Total	608.2	556.6	475.5
% Growth	9.3%	17.1%	9.6%
	(in percentages)		
Unit Case Volume Mix by Category			
Sparkling beverages	92.0%	93.3%	93.5%
Water[1]	4.1	4.2	4.5
Still beverages	3.9	2.5	2.0
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

Beginning in June 2008, Coca-Cola FEMSA integrated the bottling franchise of REMIL in the State of Minas Gerais into its existing Brazilian operations. REMIL contributed 44.2 million unit cases of beverages to Coca-Cola FEMSA's sales volume during the first five months of 2009. Sparkling beverages represented approximately 95% of this volume. In 2008, in its continued effort to develop the still beverage category in Argentina, Coca-Cola FEMSA launched Aquarius, a flavored water.

Total sales volume was 608.2 million unit cases in 2009, an increase of 9.3% compared to 556.6 million in 2008. Excluding REMIL, total sales volume increased 1.3%. Growth in still beverages driven by sales of Aquarius in Argentina, accounted for most of the growth during the year. In 2009, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 28.5% in Argentina and 12.4% in Brazil. In 2009, multiple serving presentations represented 70.8% and 85.5% of total sparkling beverages sales volume in Brazil and Argentina, respectively.

Coca-Cola FEMSA primarily purchases its glass bottles in Mexico from SIVESA, a wholly-owned subsidiary of FEMSA Cerveza. The aggregate amount of our purchases from SIVESA amounted to Ps. 355.1 million, Ps. 408.5 million and Ps. 331.9 million in 2009, 2008 and 2007, respectively.

Coca-Cola FEMSA sells and distributes the *Kaiser* brands of beer in its territories in Brazil. In January 2006, FEMSA Cerveza acquired a controlling stake in Cervejarias Kaiser. Since that time, Coca-Cola FEMSA has distributed the Kaiser beer portfolio in Coca-Cola FEMSA's Brazilian territories, consistent with the arrangements between Coca-Cola FEMSA and Cervejarias Kaiser in place prior to 2004. Beginning with the second quarter of 2005, Coca-Cola FEMSA ceased including beer that it distributes in Brazil in its reported sales volumes. On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group. Coca-Cola FEMSA has agreed with Cervejarias Kaiser to continue to distribute and sell the Kaiser beer portfolio in Coca-Cola FEMSA's Brazilian territories through the 20-year term, consistent with the arrangement in place since 2006.

Recent Acquisition

In February 2009, Coca-Cola FEMSA acquired with The Coca-Cola Company the *Brisa* bottled water business in Colombia from Bavaria, a subsidiary of SABMiller. Coca-Cola FEMSA acquired the production assets and the rights to distribute in the territory, and The Coca-Cola Company obtained the *Brisa* brand. Coca-Cola FEMSA and The Coca-Cola Company equally shared in paying the purchase price of US$ 92 million. Following a transition period, in June 2009, it started to sell and distribute the *Brisa* portfolio of products in Colombia.

Seasonality

Sales of Coca-Cola FEMSA's products are seasonal, as its sales levels generally increase during the summer months of each country and during the Christmas holiday season. In Mexico, Central America, Colombia and Venezuela, Coca-Cola FEMSA typically achieves its highest sales during the summer months of April through September as well as during the Christmas holidays in December. In Argentina and Brazil, its highest sales levels occur during the summer months of October through March and the Christmas holidays in December.

Marketing

Coca-Cola FEMSA, in conjunction with The Coca-Cola Company, has developed a marketing strategy to promote the sale and consumption of its products. Coca-Cola FEMSA relies extensively on advertising, sales promotions and retailer support programs to target the particular preferences of its soft drink consumers. Its consolidated marketing expenses in 2009, net of contributions by The Coca-Cola Company, were Ps. 3,278 million. The Coca-Cola Company contributed an additional Ps. 1,945 million in 2009, which includes contributions for coolers, bottles and cases. Through the use of advanced information technology, it has collected customer and consumer information that allows it to tailor its marketing strategies to target different types of customers located in each of its territories and to meet the specific needs of the various markets it serves.

Retailer Support Programs. Support programs include providing retailers point-of-sale display materials and consumer sales promotions such as contests, sweepstakes and the giveaway of product samples.

Coolers. Cooler distribution among retailers is important for the visibility and consumption of Coca-Cola FEMSA's products and to ensure that they are sold at the proper temperature.

Advertising. Coca-Cola FEMSA advertises in all major communications media. It focuses its advertising efforts on increasing brand recognition by consumers and improving its customer relations. National advertising campaigns are designed and proposed by The Coca-Cola Company's local affiliates, with Coca-Cola FEMSA's input at the local or regional level.

Channel Marketing. In order to provide more dynamic and specialized marketing of its products, Coca-Cola FEMSA's strategy is to classify its markets and develop targeted efforts for each consumer segment or distribution channel. Its principal channels are small retailers, "on-premise" consumption such as restaurants and bars, supermarkets and third-party distributors. Presence in these channels entails a comprehensive and detailed analysis of the purchasing patterns and preferences of various groups of soft drink consumers in each of the different types of locations or distribution channels. In response to this analysis, Coca-Cola FEMSA tailors its product, price, packaging and distribution strategies to meet the particular needs of and exploit the potential of each channel.

Coca-Cola FEMSA believes that the implementation of its channel marketing strategy also enables it to respond to competitive initiatives with channel-specific responses as opposed to market-wide responses. Coca-Cola FEMSA's channel marketing activities are facilitated by its management information systems. Coca-Cola FEMSA has invested significantly in creating these systems, including in hand-held computers to support the gathering of product, consumer and delivery information, for most of its sales routes throughout its territories.

Multi-segmentation. Coca-Cola FEMSA has been implementing a multi-segmentation strategy in the majority of its markets. This strategy consists on the implementation of different product/price/package portfolios

by market cluster or group. These clusters are defined based on consumption occasion, competitive intensity and socio-economic levels, rather than solely on the types of distribution channels.

Product Distribution

The following table provides an overview of its product distribution centers and the number of retailers to which it sells its products:

Product Distribution Summary
as of December 31, 2009

	Mexico	Latincentro(2)	Venezuela	Mercosur(3)
Distribution centers	84	60	33	33
Retailers (in thousands)(1)	620,255	475,119	211,749	269,888

(1) Estimated.

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

(3) Includes Brazil and Argentina.

Coca-Cola FEMSA continuously evaluates its distribution model in order to fit with the local dynamics of the market place. Coca-Cola FEMSA is currently analyzing the way it goes to market, recognizing different service needs from its customers, while looking for a more efficient distribution model. As part of this strategy, Coca-Cola FEMSA is rolling out a variety of new distribution models throughout its territories looking for improvements in its distribution network.

Coca-Cola FEMSA uses two main sales methods depending on market and geographic conditions: (1) the traditional or conventional truck route system, in which the person in charge of the delivery makes immediate sales from inventory available on the truck and (2) the pre-sale system, which separates the sales and delivery functions and allows sales personnel to sell products prior to delivery and trucks to be loaded with the mix of products that retailers have previously ordered, thereby increasing distribution efficiency. Coca-Cola FEMSA also uses a hybrid distribution system in some of its territories, where the same truck holds product available for immediate sale and product previously ordered through the pre-sale system. As part of the pre-sale system, sales personnel also provide merchandising services during retailer visits, which it believes enhance the presentation of its products at the point of sale. Coca-Cola FEMSA believes that service visits to retailers and frequency of deliveries are essential elements in an effective selling and distribution system for its products. In certain areas, Coca-Cola FEMSA also makes sales through third-party wholesalers of its products. The vast majority of its sales are for cash.

Coca-Cola FEMSA's distribution centers range from large warehousing facilities and re-loading centers to small deposit centers. In addition to its fleet of trucks, Coca-Cola FEMSA distributes its products in certain locations through a fleet of electric carts and hand-trucks in order to comply with local environmental and traffic regulations. In some of its territories, Coca-Cola FEMSA retains third parties to transport its finished products from the bottling plants to the distribution centers.

Mexico. Coca-Cola FEMSA contracts with one of our subsidiaries for the transportation of finished products to its distribution centers from its Mexican production facilities. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions." From the distribution centers, it then distributes its finished products to retailers through its own fleet of trucks.

In Mexico, Coca-Cola FEMSA sells a majority of its beverages at small retail stores to customers who take the beverages home or elsewhere for consumption. Coca-Cola FEMSA also sells products through the "on-premise" consumer segment, supermarkets and other locations. The "on-premise" consumer segment consists of sales through sidewalk stands, restaurants, bars and various types of dispensing machines as well as sales through point-of-sale programs in concert halls, auditoriums and theaters.

Brazil. In Brazil, Coca-Cola FEMSA sold approximately 23% of its total sales volume through supermarkets in 2009. Also in Brazil, the delivery of its finished products to customers is by a third-party. In designated zones in Brazil, third-party distributors purchase its products at a discount from the wholesale price and resell the products to retailers.

Territories other than Mexico and Brazil. Coca-Cola FEMSA distributes its finished products to retailers through a combination of its own fleet of trucks and third-party distributors. In most of its territories, an important part of Coca-Cola FEMSA's total sales volume is sold through small retailers, with low supermarket penetration.

Competition

Although we believe that Coca-Cola FEMSA's products enjoy wider recognition and greater consumer loyalty than those of its principal competitors, the markets in the territories in which it operates are highly competitive. Coca-Cola FEMSA's principal competitors are local bottlers of Pepsi and other bottlers and distributors of national and regional sparkling beverage brands. Coca-Cola FEMSA faces increased competition in many of its territories from producers of low price beverages, commonly referred to as "B brands." A number of its competitors in Central America, Venezuela, Brazil and Argentina offer beer in addition to sparkling beverages, still beverages, and water, which may enable them to achieve distribution efficiencies.

Recently, price discounting and packaging have joined consumer sales promotions, customer service and non-price retailer incentives as the primary means of competition among bottlers. Coca-Cola FEMSA competes by seeking to offer products at an attractive price in the different segments in its markets and by building on the value of its brands. Coca-Cola FEMSA believes that the introduction of new products and new presentations has been a significant competitive technique that allows it to increase demand for its products, provide different options to consumers and increase new consumption opportunities. See "—Sales Overview."

Mexico. Coca-Cola FEMSA's principal competitors in Mexico are bottlers of *Pepsi* products, whose territories overlap but are not co-extensive with its own. In central Mexico Coca-Cola FEMSA competes with a subsidiary of PepsiCo, Pepsi Beverage Company, the largest bottler of Pepsi products globally, and Grupo Embotelladores Unidos, S.A.B. de C.V., the *Pepsi* bottler in central and southeast Mexico. Coca-Cola FEMSA's main competition in the juice category in Mexico is Grupo Jumex, the largest juice producer in the country. In the water category, Coca-Cola FEMSA's main competitor is *Bonafont*, a water brand owned by Groupe Danone. In addition, Coca-Cola FEMSA competes with Cadbury Schweppes in sparkling beverages and with other national and regional brands in its Mexican territories, as well as low-price producers, such as *Big Cola* and Consorcio AGA, S.A. de C.V., that principally offer multiple serving size presentations of sparkling and still beverages.

Latincentro (Colombia and Central America). Coca-Cola FEMSA's principal competitor in Colombia is Postobón, a well-established local bottler that sells flavored sparkling beverages, some of which have a wide consumption preference, such as *manzana Postobón* (apple Postobón), which is the second most popular flavor in the Colombian sparkling beverage industry in terms of total sales volume. Postobón also sells *Pepsi* products. Postobón is a vertically integrated producer, the owners of which hold other significant commercial interests in Colombia. It also competes with low-price producers, such as the producers of *Big Cola*, which basically offer multiple serving size presentations in the sparkling and still beverage industry.

In the countries that comprise Coca-Cola FEMSA's Central America region, its main competitors are Pepsi and *Big Cola* bottlers. In Guatemala and Nicaragua, Coca-Cola FEMSA competes with a joint venture between AmBev and The Central American Bottler Corporation. In Costa Rica, its principal competitor is Florida Bebidas S.A., subsidiary of Florida Ice and Farm Co. S.A. In Panama, its main competitor is Cervecería Nacional, S.A. Coca-Cola FEMSA also faces competition from low-price producers offering multiple serving size presentations in some Central American countries.

Venezuela. In Venezuela, Coca-Cola FEMSA's main competitor is Pepsi-Cola Venezuela, C.A., a joint venture formed between PepsiCo and Empresas Polar, S.A., the leading beer distributor in the country. Coca-Cola FEMSA also competes with the producers of *Big Cola* in parts of the country.

Mercosur (Brazil and Argentina). In Brazil, Coca-Cola FEMSA competes against AmBev, a Brazilian company with a portfolio of brands that includes *Pepsi*, local brands with flavors such as guaraná, and proprietary beers. Coca-Cola FEMSA also competes against "B brands" or "Tubainas," which are small, local producers of low-cost flavored sparkling beverages in multiple serving presentations that represent a significant portion of the sparkling beverage market.

In Argentina, Coca-Cola FEMSA's main competitor is Buenos Aires Embotellador S.A. (BAESA), a *Pepsi* bottler, which is owned by Argentina's principal brewery, Quilmes Industrial S.A., and indirectly controlled by AmBev. In addition, Coca-Cola FEMSA competes with a number of competitors offering generic, low-priced sparkling beverages as well as many other generic products and private label proprietary supermarket brands.

Raw Materials

Pursuant to the bottler agreements with The Coca-Cola Company, Coca-Cola FEMSA is required to purchase concentrate and artificial sweeteners in some of its territories, for all *Coca-Cola* trademark beverages from companies designated by The Coca-Cola Company. The price of concentrate for all *Coca-Cola* trademark beverages is a percentage of the average price Coca-Cola FEMSA charges to its retailers in local currency net of applicable taxes. Although The Coca-Cola Company has the right to unilaterally set the price of concentrates, in practice this percentage has historically been set pursuant to periodic negotiations with The Coca-Cola Company.

In 2005, The Coca-Cola Company decided to gradually increase concentrate prices for sparkling beverages over a three-year period in Brazil beginning in 2006 and in Mexico beginning in 2007. These increases were fully implemented in Brazil in 2008 and in Mexico in 2009. As part of the cooperation framework that Coca-Cola FEMSA arrived at with The Coca-Cola Company at the end of 2006, The Coca-Cola Company will provide a relevant portion of the funds derived from the concentrate increase for marketing support of Coca-Cola FEMSA's sparkling and still beverages portfolio. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—Business Transactions between Coca-Cola FEMSA and The Coca-Cola Company."

In addition to concentrate, Coca-Cola FEMSA purchases sweeteners, carbon dioxide and other raw materials, resin and ingots to make plastic bottles, finished plastic and glass bottles, cans, closures and fountain containers, as well as other packaging materials. Sweeteners are combined with water to produce basic syrup, which is added to the concentrate as the sweetener for the sparkling beverage. Coca-Cola FEMSA's bottler agreements provide that, with respect to *Coca-Cola* trademark beverages, these materials may be purchased only from suppliers approved by The Coca-Cola Company, including affiliates of FEMSA. Prices for packaging materials and high fructose corn syrup historically have been determined with reference to the U.S. dollar, although the local currency equivalent in a particular country is subject to price volatility in accordance with changes in exchange rates. Coca-Cola FEMSA's most significant packaging raw material costs arise from the purchase of resin, plastic ingots to make plastic bottles and finished plastic bottles, which it obtains from international and local producers. The prices of these materials are tied to crude oil prices and global resin supply. In recent years, Coca-Cola FEMSA has experienced volatility in the prices it pays for these materials. Across Coca-Cola FEMSA's territories, its average price for resin in U.S. dollars decreased significantly during 2009.

Under Coca-Cola FEMSA's agreements with The Coca-Cola Company, it may use raw or refined sugar or high fructose corn syrup as sweeteners in its products. Sugar prices in all of the countries in which Coca-Cola FEMSA operates, other than Brazil, are subject to local regulations and other barriers to market entry that cause it to pay in excess of international market prices for sugar in certain countries. Coca-Cola FEMSA has experienced sugar price volatility in its territories as a result of changes in local conditions and regulations and, in 2009, mainly due to a production shortfall in India, one of the largest global producers of sugar.

None of the materials or supplies that Coca-Cola FEMSA uses is presently in short supply, although the supply of specific materials could be adversely affected by strikes, weather conditions, governmental controls or national emergency situations.

Mexico. Coca-Cola FEMSA purchases its returnable plastic bottles from Continental PET Technologies de México, S.A. de C.V, a subsidiary of Continental Can, Inc., which is the exclusive supplier of returnable plastic bottles to The Coca-Cola Company and its bottlers in Mexico. In addition, Coca-Cola FEMSA mainly purchases

resin from Arteva Specialties, S. de R.L. de C.V. and Industrias Voridian, S.A. de C.V. that ALPLA Fábrica de Plásticos, S.A. de C.V., known as ALPLA, manufactures into non-returnable plastic bottles for Coca-Cola FEMSA.

Coca-Cola FEMSA purchases all of its cans from Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of *Coca-Cola* bottlers, in which it holds a 5.0% equity interest. Coca-Cola FEMSA mainly purchases its glass bottles from Silices de Veracruz, S.A. de C.V., known as SIVESA, a wholly-owned subsidiary of FEMSA Cerveza. Coca-Cola FEMSA purchases sugar from, among other suppliers, Beta San Miguel, S.A. de C.V., a sugar cane producer in which it holds a 2.5% equity interest.

Imported sugar is subject to import duties, the amount of which is set by the Mexican government. As a result, sugar prices in Mexico are in excess of international market prices for sugar. In 2009, sugar prices increased compared to 2008.

Latincentro (Colombia and Central America). In Colombia, Coca-Cola FEMSA uses sugar as a sweetener in most of its products, which it buys from several domestic sources. Coca-Cola FEMSA purchases pre-formed ingots from Amcor and Tapón Corona de Colombia S.A. Coca-Cola FEMSA purchases all its glass bottles and cans from a supplier in which its competitor, Postobón, owns a 40% equity interest. Glass bottles and cans are available only from this one local source.

In Central America, the majority of Coca-Cola FEMSA's raw materials such as glass and plastic bottles and cans are purchased from several local suppliers. Sugar is available from one supplier in each country. Local sugar prices, in certain countries that comprised the region, are increasing due to higher international prices and the limited availability of sugar or high fructose corn syrup. In Costa Rica, Coca-Cola FEMSA acquires plastic non-returnable bottles from ALPLA C.R. S.A., and in Nicaragua it acquires such plastic bottles from ALPLA Nicaragua, S.A.

Venezuela. Coca-Cola FEMSA uses sugar as a sweetener in most of its products, which it purchases mainly from the local market. Since 2003, Coca-Cola FEMSA has experienced a sugar shortage due to lower domestic production and the inability of the predominant sugar importers to obtain permission to import in a timely manner. Sugar supply was severely affected in 2009 due to (1) shortages in sugar cane production, (2) the implementation of new regulations imposing a quota on the maximum amount of available sugar distributed to the food and beverages industry and (3) a production decrease by certain sugar mills. We cannot assure you that Coca-Cola FEMSA will be able to meet its sugar requirements in the long-term if sugar supply conditions do not improve. Coca-Cola FEMSA buys glass bottles from one local supplier, Productos de Vidrio, S.A., but there are alternative suppliers authorized by The Coca-Cola Company. Coca-Cola FEMSA acquires most of its plastic non-returnable bottles from ALPLA de Venezuela, S.A. and all of its aluminum cans from a local producer, Dominguez Continental, C.A.

Under current regulations promulgated by the Venezuelan authorities, Coca-Cola FEMSA's ability to import some of its raw materials and other supplies used in its production could be limited, and access to the official exchange rate for these items for Coca-Cola FEMSA and its suppliers, including, among others, resin, aluminum, plastic caps, distribution trucks and vehicles, is only achieved by obtaining proper approvals from the relevant authorities.

Mercosur (Brazil and Argentina). Sugar is widely available in Brazil at local market prices, which historically have been similar to international prices. Sugar prices in Brazil in recent periods have been volatile, mainly due to the increased demand for sugar cane for production of alternative fuels, and Coca-Cola FEMSA's average acquisition cost for sugar in 2009 increased. Coca-Cola FEMSA purchases glass bottles, plastic bottles and cans from several domestic and international suppliers.

Argentina. In Argentina, Coca-Cola FEMSA mainly uses high fructose corn syrup that it purchases from several different local suppliers as a sweetener in its products instead of sugar. Coca-Cola FEMSA purchases glass bottles, plastic cases and other raw materials from several domestic sources. Coca-Cola FEMSA purchases pre-formed plastic ingots, as well as returnable plastic bottles, at competitive prices from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina S.A., a Coca-Cola bottler with operations in Argentina, Chile and Brazil, and other local suppliers. Coca-Cola FEMSA also acquires plastic non-returnable bottles from ALPLA

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Avellaneda S.A. Coca-Cola FEMSA produces its own can presentations and juice-based products for distribution to customers in Buenos Aires.

Plants and Facilities

Over the past several years, Coca-Cola FEMSA made significant capital improvements to modernize its facilities and improve operating efficiency and productivity, including:

- increasing the annual capacity of its bottling plants by installing new production lines;
- installing clarification facilities to process different types of sweeteners;
- installing plastic bottle-blowing equipment;
- modifying equipment to increase flexibility to produce different presentations, including faster sanitation and changeover times on production lines; and
- closing obsolete production facilities.

As of December 31, 2009, Coca-Cola FEMSA owned thirty-one bottling plants company-wide. By country, it has ten bottling facilities in Mexico, five in Central America, six in Colombia, four in Venezuela, four in Brazil and two in Argentina.

As of December 31, 2009, Coca-Cola FEMSA operated 210 distribution centers, approximately 40% of which were in its Mexican territories. Coca-Cola FEMSA owns more than 88% of these distribution centers and leases the remainder. See "—Product Distribution."

The table below summarizes by country the principal use, installed capacity and percentage utilization of Coca-Cola FEMSA's production facilities:

Bottling Facility Summary
As of December 31, 2009

Country	Installed Capacity (thousands of unit cases)	% Utilization (1)
Mexico	1,594,568	75%
Guatemala	36,850	70%
Nicaragua	85,766	43%
Costa Rica	78,486	58%
Panama	38,399	62%
Colombia	370,776	59%
Venezuela	275,205	81%
Brazil	623,676	66%
Argentina	285,825	66%

(1) Annualized rate.

FEMSA Cerveza

Overview and Background

FEMSA Cerveza produces beer in Mexico and Brazil and exports its products to 58 countries worldwide, with North America being its most important export market, followed by certain markets in Europe, Latin America and Asia. In 2009, FEMSA Cerveza was ranked the tenth-largest brewer in the world in terms of sales volume. In Mexico, its main market, FEMSA Cerveza is the second-largest beer producer in terms of sales volume. In 2009, approximately 66.4% of FEMSA Cerveza's sales volume came from Mexico, with the remaining 24.8% from Brazil and 8.8% from exports. In 2009, FEMSA Cerveza sold 40.548 million hectoliters of beer.

FEMSA Cerveza's principal operating subsidiaries are Cervecería Cuauhtémoc Moctezuma, S.A. de C.V., which operates six breweries in Mexico, Cervejarias Kaiser Brasil S.A., or Kaiser, which operates eight breweries in Brazil, and Cervezas Cuauhtémoc Moctezuma, S.A. de C.V., which operated our company-owned distribution centers across Mexico.

Our management identified Brazil as one of the most attractive and profitable beer markets in the world. As a result, in August 2007, after a series of transactions, FEMSA Cerveza acquired 83% of the Brazilian brewer Kaiser, one of the leading beer marketers in that country, and Heineken N.V. owns the remaining 17% stake in Kaiser. See "Item 4. Information on the Company—Corporate Background."

On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group. See "Item 5. Operating and Financial Review and Prospects—Recent Developments" and "Item 10. Additional Information—Material Contracts."

Beer Sales Volume

FEMSA Cerveza volume figures contained in this annual report refer to invoiced sales volume of beer. In Mexico, invoiced sales volume represents the quantity of hectoliters of beer sold by FEMSA Cerveza's breweries to unaffiliated distributors and by affiliated distributors to retailers. In Brazil, invoiced sales volume represents the quantity of hectoliters of beer sold by Kaiser. Kaiser sells its products primarily to the Brazilian *Coca-Cola* bottlers, which sell and distribute Kaiser beers in their respective territories. The term hectoliter means 100 liters or approximately 26.4 U.S. gallons.

FEMSA Cerveza's total beer sales volume totaled 40.548 million hectoliters in 2009, a decrease of 1.2% from total sales volume of 41.053 million hectoliters in 2008. In 2009, FEMSA Cerveza's Mexican beer sales volume decreased by 1.7% to 26.929 million hectoliters. Brazil sales volume totaled 10.049 million hectoliters in 2009, a decrease of 1.3% from total sales volume of 10.181 million hectoliters in 2008. In 2009, export beer sales volume increased by 2.6% to 3.570 million hectoliters as compared to 3.479 million hectoliters in 2008.

FEMSA Cerveza Total Beer Sales Volumes

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands of hectoliters)				
Mexico beer sales volume	26,929	27,393	26,962	25,951	24,580
Brazil beer sales volume	10,049	10,181	9,795	8,935	NA
Export beer sales volume	3,570	3,479	3,183	2,811	2,438
Total beer sales volume	40,548	41,053	39,940	37,697	27,018

FEMSA Cerveza's Mexican beer sales volume recorded a compounded average growth rate of 2.3% while compounded annual growth in the Mexican beer industry was 3% during the period from 2005 to 2009. This

compares with the 0.8% compounded average growth rate of the Mexican gross domestic product for the same period. FEMSA Cerveza's Mexican beer sales for the same period recorded a 7.3% compounded average growth rate. FEMSA Cerveza's export sales volume recorded a compounded average growth rate of 10.0% for the same period, while the compounded average growth rate for FEMSA Cerveza export sales was 14.9%.

FEMSA Cerveza's Brazilian beer sales volume recorded a compounded average growth rate of 4.0% for the period from 2006 through 2009.

Mexico Operations

The Mexican Beer Market

The Mexican beer market was the sixth-largest beer market in the world in terms of industry sales volume in 2009 and is characterized by (1) concentrated domestic beer production, (2) regional market share differences, (3) the prevalence of government licensing regulations, (4) favorable demographics in the beer drinking population, and (5) fragmented retail markets.

Mexican beer production

Since 1985, Mexico has effectively had only two independent domestic beer producers, FEMSA Cerveza and Grupo Modelo. Grupo Modelo, a publicly traded company based in Mexico City, is the holding company of 76.8% of Diblo, S.A. de C.V., which operates the brewing and packaging subsidiaries of Grupo Modelo. Grupo Modelo's principal beer brands are *Corona*, *Modelo*, *Victoria* and *Pacífico*. FEMSA Cerveza's sales in the Mexican market have depended on its ability to compete with Grupo Modelo.

Historically, beer imports have not been a significant factor in the Mexican beer market, primarily due to the Mexican consumer preference for Mexican brands. In 2009, this segment accounted for approximately 2.0% of total Mexican beer market in terms of sales volume, a decrease of 0.4 p.p. compared to 2008, and reaching a similar market share to that of four years ago. The elimination of tariffs imposed on imported beers in 2001 had a limited effect on the Mexican beer market due to the fact that imported beers are largely premium and super-premium products sold in aluminum cans, which are a more expensive means of packaging in Mexico than beer sold in returnable bottles, and also given the dynamics of the beer market, where the point of sale is highly fragmented.

Regional market share differences

FEMSA Cerveza and Grupo Modelo are strongest in beer markets in different regions of Mexico. FEMSA Cerveza has a stronger market position in the northern and southern areas of Mexico while Grupo Modelo has a stronger market position in central Mexico. We believe that these regional market positions can be traced in part to consumer loyalty to the brand of beer that has historically been associated with a particular region.

We also believe that regional market strength is a function of the proximity of the breweries to the markets they serve. Transportation costs restricted the most efficient distribution of beer to a geographic area of approximately 300 to 500 kilometers surrounding a brewery. Generally, FEMSA Cerveza commands a majority of the beer sales in regions that were nearest to its largest breweries. FEMSA Cerveza's largest breweries are in Orizaba, Veracruz and in Monterrey, Nuevo León. Grupo Modelo's largest breweries are located in Mexico City, Oaxaca and Zacatecas.

The northern region of Mexico has traditionally enjoyed a higher per capita income level, attributable in part to its rapid industrialization within the last 50 years and to its commercial proximity to the United States. In addition, per capita beer consumption is also greater in this region due to its warmer climate and a more ingrained beer culture.

Mexican Regional Demographic Statistics
as of December 31, 2009

Region	Percent of Total Population	Percent of Total Gross Domestic Product	Per Capita Gross Domestic Product[1]
Northern	27.1%	33.5%	Ps. 124.9
Southern	22.9	15.3	67.1
Central	50.0	51.2	103.1
Total	100.0%	100.0%	Ps. 100.7

(1) Thousands of pesos

Source: FEMSA Cerveza estimates based on figures published by the Mexican Institute of Statistics, or INEGI, and CAPEM Oxford Economics Forecasting.

Government regulation

The Mexican federal government regulates beer consumption in Mexico primarily through taxation while local governments in Mexico regulate primarily through the issuance of licenses that authorize retailers to sell alcoholic beverages.

Up to 2009, Federal taxes on beer consist of a 15% value-added tax and an excise tax which is the higher of (1) 25% and (2) Ps. 3 per liter for non-returnable presentation or Ps. 1.74 for returnable presentations, as part of an environmental initiative by the Mexican governmental to encourage returnable presentations. Beginning on January 1, 2010, Mexican federal tax regulation increased value-added tax from 15% to 16% and the excise tax from 25% to 26.5% for 2010, 2011 and 2012. In 2013, the excise tax will decrease to 26%. The tax component of retail beer prices is significantly higher in Mexico than in the United States.

The number of retail outlets authorized to sell beer is controlled by local jurisdictions, which issue licenses authorizing the sale of alcoholic beverages. Other regulations regarding beer consumption in Mexico vary according to local jurisdiction and include limitations on the hours during which restaurants, bars and other retail outlets are allowed to sell beer and other alcoholic beverages. FEMSA Cerveza has been engaged in addressing these limitations at various levels, including efforts with governmental and civil authorities to promote better education for the responsible consumption of beer. For instance, as part of its ongoing community activities, FEMSA Cerveza was the first to implement a nationwide designated driver program (*Conductor designado*) in Mexico.

Since July 1984, Mexican federal regulation has required that all forms of beer packaging carry a warning advising that excessive consumption of beer is hazardous to one’s health. In addition, the *Ley General de Salud* (General Health Law) requires that all beers sold in Mexico maintain a sanitation registration with the *Secretaría de Salud* (Ministry of Health).

Demographics of beer drinking population

We estimate that annual per capita beer consumption for the total Mexican population reached approximately 60 liters, or 0.6 hectoliters, in 2009, as compared to approximately 80 liters, or 0.8 hectoliters, in the United States. The legal drinking age is 18 in Mexico. We consider the population segment of men between the ages of 18 and 45 to be FEMSA Cerveza’s primary market. At least 37% of the Mexican population is under the age of 18 and, therefore, is not considered to be part of the beer drinking population.

Macroeconomic influences affecting beer consumption

We believe that consumption activity in the Mexican beer market is heavily influenced by the general level of economic activity in Mexico, the country’s gross wage base, changes in real disposable income and employment

levels. As a result, the beer industry reacts sharply to economic change. The industry generally experiences high volume growth in periods of economic strength and slower volume growth or volume contraction in periods of economic weakness. Domestic beer sales declined in Mexico in 1982, 1983 and 1995. These sales decreases correspond to periods in which the Mexican economy experienced severe disruptions. Similarly, the economic slowdown observed in 2002 corresponded to a reduction in domestic beer sales in 2002. In 2003, given the effect of a continued economic slowdown on consumers, FEMSA Cerveza decided not to increase prices in real terms. The reduction in prices in real terms (after giving effect to inflation) was the main driver for increasing sales volumes during 2003. In 2004, growth in Mexico's gross domestic product was the main driver for increasing beer sales volume, despite price increases in nominal terms in the Mexican beer industry. In 2005, 2006 and 2007, beer sales volume growth outpaced growth in Mexico's gross domestic product and in 2008, although FEMSA Cerveza experienced a reduction in consumer demand due to the general economic downturn, volume growth outpaced growth in Mexico's gross domestic product for the fourth consecutive year. In 2009, the Mexican economy suffered the greatest gross domestic product drop in its modern history, caused mainly by the world economic crisis and the swine flu outbreak. Despite this, beer sales volume outpaced GDP once again, even though prices increased above inflation.

Beer Prices

During 2007, FEMSA Cerveza increased prices to partially compensate for the increase in raw material prices. In 2008, FEMSA Cerveza increased prices twice in the year, however the net effect was below the Mexican consumer price index. In 2009, FEMSA Cerveza once again increased prices in Mexico, which, along with the effect of the 2008 increase, resulted in a slight growth above the Mexican consumer price index.

According to the *Banco de México's* consumer beer price index, for the Mexican beer industry as a whole, average consumer beer prices increased 6.4% in nominal terms in 2009, which means that prices increased 1.1% over average inflation.

Product Overview

As of December 31, 2009, in Mexico FEMSA Cerveza produced and/or distributed 21 brands of beer in 14 different presentations resulting in a portfolio of 111 different product offerings. The most important brands in FEMSA Cerveza's Mexican portfolio included: *Tecate*, *Sol*, *Carta Blanca* and *Indio.* These four brands, all of which were distributed nationwide in Mexico, accounted for approximately 87% of FEMSA Cerveza's Mexico beer sales volume in 2009.

Per capita information, product segments, relative prices and packaging information with respect to FEMSA Cerveza have been computed and are based upon our statistics and assumptions.

Beer Presentations

In its Mexican operations, FEMSA Cerveza produces and distributes beer in returnable glass bottles and kegs and in non-returnable aluminum cans and glass bottles. FEMSA Cerveza uses the term presentation to reflect these packaging options.

Returnable presentations

The most popular form of packaging in the Mexican beer market is the returnable bottle. FEMSA Cerveza believes that the popularity of the returnable bottle is attributable to its lower price to the consumer. Returnable bottles may be reused an average of 30 times before being recycled. As a result, beer producers are able to charge lower prices for beer in returnable bottles. During periods when the Mexican economy is weak, returnable sales volume generally increase at a faster rate relative to non-returnable sales volume, given that non-returnable bottles are a more expensive presentation.

Non-returnable presentations

FEMSA Cerveza's presentation mix in Mexico has been growing in non-returnable presentations in the last few years, as we tailor our offering to consumer preferences and provide different convenient alternatives. However, we believe that demand for these presentations is highly sensitive to economic factors because of their higher prices. The vast majority of export sales are in non-returnable presentations.

Relative Pricing

Returnable bottles and kegs are the least expensive beer presentation on a per-milliliter basis. Cans and non-returnable bottles have historically been priced higher than returnable bottles. The consumer preference for presentations in cans has varied considerably over the past 20 years, rising in periods of economic prosperity and declining in periods of economic austerity, reflecting the price differential between these forms of packaging.

Seasonality

Demand for FEMSA Cerveza's beer is highest in the Mexican summer season, and consequently, brewery utilization rates are at their highest during this period. Demand for FEMSA Cerveza's products also tends to increase in the month of December, reflecting consumption during the holiday season. Demand for FEMSA Cerveza's products decreases during the months of November, January and February primarily as a result of colder weather in the northern regions of Mexico.

Primary Distribution

FEMSA Cerveza's primary distribution in Mexico is from its production facilities to its distribution centers' warehouses. FEMSA Cerveza delivers to a combination of company-owned and third-party distributors. In an effort to improve the efficiency and alignment of the distribution network, FEMSA Cerveza adjusts its relationship with independent distributors by implementing franchise agreements and, as a result, has achieved economies of scale through integration with FEMSA Cerveza's operating systems. In recent years, FEMSA Cerveza has achieved infrastructure and personnel efficiencies through the integration of company-owned distribution centers. The results of these efficiencies have been partially diminished by the acquisition of third-party distribution centers. FEMSA Cerveza increased its directly distributed volume in respect of its Mexican beer sales volume to 91%, operating through 225 company-owned distribution centers. The remaining 9% of the beer sales volume was sold through 39 third-party distribution centers, most of them operating under franchise agreements with FEMSA Cerveza. A franchise agreement is offered only to those distributors that meet certain standards of operating capabilities, performance and alignment. FEMSA Cerveza has historically acquired those distributors that do not meet these standards. Through this initiative FEMSA Cerveza continues to seek to increase its Mexico beer sales volume through company-owned distribution centers.

Since 2004, FEMSA Cerveza's brewing subsidiary was appointed as the exclusive importer, producer, distributor, marketer and seller of *Coors Light* beer in Mexico.

Retail Distribution

The main sales outlets for beer in Mexico are small, independently-owned "mom and pop" grocery stores, dedicated beer stores or "depósitos," liquor stores and bars. Supermarkets account for only a small percentage of beer sales in Mexico. In addition, as of December 31, 2009, FEMSA Comercio operates a chain of 7,334 convenience stores under the trade name OXXO that exclusively sell FEMSA Cerveza's brands.

The Mexican retail market is fragmented and characterized by a preponderance of small outlets that are unable and unwilling to maintain meaningful inventory levels, and therefore FEMSA Cerveza must make frequent product deliveries to its retailers. Through the pre-sale process, FEMSA Cerveza improves its distribution practices, enhances efficiency by separating the selling and distribution processes and consequently improves the effectiveness of routes. During 2008, FEMSA Cerveza implemented a new method of serving its customers by addressing customer needs through alternative pre-sale processes, through which FEMSA Cerveza has sought to increase its

efficiency while at the same time improve the capabilities of its sales force to better implement sales strategies at the point of sale and better serve different customer types. As of the December 31, 2009, approximately 21% of the customers were served through alternative pre-sale processes including electronic ordering and telephone sales in a call center. See "—Marketing Strategy."

As of December 31, 2009, FEMSA Cerveza serves approximately 330,000 retailers in Mexico and its distribution network operates approximately 2,067 retail distribution routes, which represents a decrease of 240 routes, principally due to an increase in the number of retailer visits per route during 2009.

Enterprise Resource Planning

FEMSA Cerveza operates an Enterprise Resource Planning system, or ERP, that provides an information and control platform to support commercial activities nationwide in Mexico and correlates them with the administrative and business development decision-making processes occurring in FEMSA Cerveza's central office. The Mexican beer sales volume of all FEMSA Cerveza's company-owned distribution centers, including our main third-party distributors, operates through ERP.

Marketing Strategy

FEMSA Cerveza focuses on the consumer by segmenting markets and positions its brands accordingly, striving to develop brand and packaging portfolios that provide the best alternatives for every consumption occasion at the appropriate price. By segmenting markets, we refer to the technique whereby we design and execute relevant and distinctive positioning and communication strategies that allowed us to satisfy different consumer needs. Continuous market research provides feedback that is used to develop and adapt our product offerings to best satisfy consumers' needs. We increasingly focus on micro-segmentation, where we use our market research and our information technology systems to target smaller market segments, including in some cases the individual point-of-sale.

FEMSA Cerveza also focuses on the retailer by designing and implementing trade marketing programs at the point-of-sale, such as promotional programs providing merchandising materials and, where appropriate, refrigeration equipment. A channel refers to a point-of-sale category, or sub-category, such as a supermarket, beer depot or restaurants. Furthermore, we always attempt to develop new channels in order to capture incremental consumption opportunities for FEMSA Cerveza's brands.

In order to coordinate the brand and trade strategies, we developed and implemented integrated marketing programs, which aimed to improve brand value through effective application of all variables of the marketing mix. Our marketing program for a particular brand sought to emphasize in a consistent manner the distinctive attributes of that brand.

FEMSA Cerveza implements an initiative to efficiently enable corporate growth strategies. This effort, which relies on our extensive consumer and market research practices, seeks the development of new packaging and product alternatives that would allow us to capture new consumers and to strengthen the presence of our brands through brand line extensions. Innovation is a key priority at FEMSA Cerveza and is implemented throughout the value chain with the objective of allowing FEMSA Cerveza to continue to offer different options to consumers.

Plants and Facilities

As of December 31, 2009, FEMSA Cerveza operates six breweries in Mexico with an aggregate monthly production capacity of 3.18 million hectoliters, equivalent to approximately 38.180 million hectoliters of annual capacity. Each of FEMSA Cerveza's Mexican breweries received ISO 9001 and 9002 certification and a Clean Industry Certification (*Certificado de Industria Limpia*) given by Mexican environmental authorities. A key consideration in the selection of a site for a brewery is its proximity to potential markets, as the cost of transportation is a critical component of the overall cost of beer to the consumer. FEMSA Cerveza's Mexican breweries are strategically located across the country, as shown in the table below, to better serve FEMSA Cerveza's distribution system.

FEMSA Cerveza Mexico Facility Capacity Summary

Year Ended December 31, 2009

Brewery	Average Annualized Capacity (in thousands of hectoliters)
Orizaba	10,200
Monterrey	8,900
Toluca	5,400
Navojoa	5,400
Tecate	4,680
Guadalajara	3,600
Total	38,180
Average capacity utilization	78.8%

Between 2005 and 2009, FEMSA Cerveza increased its average monthly production capacity by approximately 374,000 hectoliters through additional investments in existing facilities.

FEMSA Cerveza operates seven effluent water treatment systems in Mexico to treat the water used by the breweries, all of which are wholly-owned by FEMSA Cerveza except for the effluent treatment system at the

Orizaba brewery, which is a joint venture among FEMSA Cerveza, several other local companies and the government of the state of Veracruz.

In November 2007, FEMSA Cerveza announced an investment of US$ 275 million for the construction of a new brewery in Meoqui, Chihuahua, in Northern Mexico and as of December 31, 2009 FEMSA Cerveza had invested Ps. 270 million (US$ 20 million) in the project.

Glass Bottles and Cans

During 2009, FEMSA Cerveza produced (1) beverage cans and can ends, (2) glass bottles and (3) crown caps for glass bottle presentations principally to meet the packaging needs of its Mexican operations. The packaging operations includes a silica sand mine, which provide materials necessary for the production of glass bottles. The following table provides a summary of the facilities for these operations:

FEMSA Cerveza Mexico Glass Bottle and Beverage Can Operations Product Summary
Year Ended December 31, 2009

Product	Location	Annual Production Capacity(1)	% Average Capacity Utilization
Beverage cans	Ensenada	1,700	80.5
	Toluca	3,000	95.7
		4,700	90.2
Can ends	Monterrey	5,100	82.6
Crown cap	Monterrey	18,000	89.2
Glass bottles	Orizaba	1,450	76.3
Bottle decoration	Nogales	330	40.6
Silica sand	Acayucan	720	74.8

(1) Amounts are expressed in millions of units of each product, except for silica sand which is expressed in thousands of tons.

Two plants produce aluminum beverage can bodies at production facilities in Ensenada and Toluca, and another plant produces can ends at a production facility in Monterrey. During 2009, 68% of the beverage can volume produced by these plants was used by FEMSA Cerveza and the remaining amount was sold to third parties.

Glass bottles are produced at a glass production facility in Orizaba, Veracruz and bottles are decorated at a plant in Nogales, Veracruz. During 2009, 63% of the glass bottle volume produced by these plants was used by FEMSA Cerveza, 17% was sold to Coca-Cola FEMSA and 20% was sold to third parties.

Due to the downturn in the global economy in 2009, FEMSA Cerveza suspended the construction of the glass bottle facility in Meoqui, Chihuahua. As a result, 2009 results were impacted by an expense of Ps. 119 million.

Raw Materials

Malted barley, hops, certain grains, yeast and water are the principal ingredients used in manufacturing FEMSA Cerveza's beer products. The principal raw materials used by FEMSA Cerveza's packaging plants include aluminum, steel and silica sand. All of these raw materials are generally available in the open market. FEMSA Cerveza satisfies its commodity requirements through purchases from various sources, including purchases pursuant to contractual arrangements and purchases in the open market.

Aluminum and steel are two of the most significant raw materials used in FEMSA Cerveza's packaging operations to make aluminum cans, can ends and bottle caps. FEMSA Cerveza purchases aluminum and steel directly from international and local suppliers on a contractual basis. Companies such as Alcoa, Nittetsu-Shoji, Novelis, CSN, Rasselstein and AHMSA have been selected as suppliers. Prices of aluminum and steel are generally

quoted in U.S. dollars, and FEMSA Cerveza's cost is therefore affected by changes in exchange rates. For example, a depreciation of the Mexican peso against the U.S. dollar would increase the cost to FEMSA Cerveza of aluminum and steel, and would decrease FEMSA Cerveza's margins as its sales are generally denominated in Mexican pesos. FEMSA Cerveza's silica sand mine is able to satisfy all of the silica sand requirements of its glass bottle plant.

Barley is FEMSA Cerveza's most significant raw material for the production of its beer products. International markets determine the prices and supply sources of agricultural raw materials, which are affected by the level of crop production, inventories, weather conditions, domestic and export demand, as well as government regulations affecting agriculture. The principal source of barley for the Mexican beer industry is the domestic harvest. If domestic production in Mexico is insufficient to meet the industry's requirements, barley (or its equivalent in malt) can be obtained from international markets. Raw material prices have increased in recent years, in particular the price for barley due to the fact that during 2006 and 2007 the harvests of Europe and Australia (two of the largest producers) fell because of droughts and untimely rains. Additionally, the price of wheat, which is not an ingredient of FEMSA Cerveza's beers, but competes for land with barley and other grains, increased significantly in 2007 and during most of 2008, adding pressure to the price of grains worldwide. In the second half of 2008, wheat prices declined due to higher harvests and lower demand. In 2009, crop prices and the worldwide economic situation improved the stock-to-use ratios for grains as compared to 2008.

Hops is the only raw material that is not available domestically in Mexico. FEMSA Cerveza imports hops from the United States and Europe.

As part of its normal operations, FEMSA Cerveza uses derivative financial instruments to hedge risk exposures associated with the price of some raw materials that are traded on international markets, such as aluminum, natural gas and wheat.

Brazil Operations

The Brazilian Beer Market

The Brazilian beer market was the third-largest beer market in the world in terms of industry sales volume in 2009 and is characterized by (1) concentrated domestic beer production, (2) favorable demographics in the beer drinking population, and (3) a fragmented retail channel.

Concentrated Brazilian beer production

The Brazilian beer market is comprised of one large producer holding substantial market share, three medium sized producers and some minor regional brewers. The large producer is Companhia de Bebidas das Americas, or AmBev, a publicly traded company based in São Paulo that is majority-owned by the Belgian brewer A-B Inbev which principal beer brands are *Skol, Brahma* and *Antarctica.* AmBev is also a large bottler of sparkling beverages, with brands such as *Guaraná Antarctica* and *Pepsi Cola.* The three medium sized producers are FEMSA Cerveza, Grupo Schincariol, whose main brand is *Nova Schin*, and Cervejaria Petropolis, whose main brands are *Itaipava* and *Crystal*. FEMSA Cerveza's sales in the Brazilian market depend on its ability to compete in a complex competitive environment with a large producer with predominant market share and two strong regional local brewers. Historically, beer imports have not been a significant factor in the Brazilian beer market, but are increasing as the super premium beer segment develops.

Demographics of beer drinking population

We estimate that annual per capita beer consumption for the total Brazilian population reached approximately 57 liters in 2009. The legal drinking age is 18 in Brazil. We consider the population segment of men between the ages of 18 and 45 to be FEMSA Cerveza's primary market. Approximately 31% of the Brazilian population is under the age of 18 and, therefore, is not considered to be part of the beer drinking population.

Product Overview

As of December 31, 2009, in Brazil FEMSA Cerveza produced and/or distributed 15 brands of beer in 11 different presentations resulting in a portfolio of 47 different product offerings. The most important brands in FEMSA Cerveza's Brazilian portfolio include: *Kaiser, Bavaria Clásica*, *Sol*, *Heineken* and *Xingu*. These five brands, all of which are distributed nationwide in Brazil, accounted for approximately 96% of FEMSA Cerveza's Brazil beer sales volume in 2009.

Beer Presentations

In its Brazilian breweries, FEMSA Cerveza produces and distributes beer in returnable glass bottles and kegs and in non-returnable aluminum cans and glass bottles. In the Brazilian beer market, the most popular presentation is the 600 ml returnable bottle because of the affordability of this presentation combined with its popularity in the on-premise segment. However, in the past years the sales volume mix slightly shifted towards non-returnable presentations, which can be attributed in part to improvements in the Brazilian economy and changes in consumer habits.

Primary Distribution

FEMSA Cerveza's primary distribution in Brazil is from its production facilities to the warehouses of the various Coca-Cola franchise bottlers in Brazil. There are 19 Coca-Cola bottlers across Brazil, each responsible for a certain geographic territory including subsidiaries of Coca-Cola FEMSA.

Retail Sales and Distribution

FEMSA Cerveza relies on the 19 different bottlers of the Coca-Cola system across Brazil for the sale and secondary distribution of its beers. The bottlers leverage their infrastructure, sales force, expertise, distribution assets and refrigeration equipment at the point of sale to offer a broad portfolio of products to the retailer.

Plants and Facilities

As of December 31, 2009, FEMSA Cerveza operates eight breweries in Brazil with an aggregate monthly production capacity of 1.7 million hectoliters, equivalent to approximately 20 million hectoliters of annual capacity. All eight Brazilian breweries received ISO 9001, ISO 14.001 and OHASA 18.001 certifications. A key consideration in the selection of a site for a brewery is its proximity to potential markets, as the cost of transportation is a critical component of the overall cost of beer to the consumer. FEMSA Cerveza's Brazilian breweries are strategically located across the country, as shown in the table below, to better serve FEMSA Cerveza's distribution system.

FEMSA Cerveza Brazil Facility Allocation
as of December 31, 2009

FEMSA Cerveza Brazil Facility Capacity Summary

Year Ended December 31, 2009

Brewery	Average Annualized Capacity (in thousands of hectoliters)
Jacareí	7,800
Ponta Grossa	3,100
Araraquara	2,800
Feira de Santana	2,000
Pacatuba	2,017
Gravataí	1,700
Cuiabá	400
Manaus	480
Total	20,297
Average capacity utilization	50.5%

Exports

FEMSA Cerveza's principal export market is the United States and its export strategy focuses on that country. In particular, FEMSA Cerveza concentrates efforts on its core markets located in the sun-belt states bordering Mexico, while seeking to develop its brands in key imported beer markets located in the eastern United

States. FEMSA Cerveza believes that these two regions of the United States represent one of its greatest potential markets outside of Mexico.

Prior to January 1, 2005, Labatt USA was the importer of FEMSA Cerveza's brands in the United States. On June 21, 2004, FEMSA Cerveza and two of its subsidiaries entered into distributor and sublicense agreements with Heineken USA. In accordance with these agreements, on January 1, 2005, Heineken USA became the exclusive importer, marketer and seller of FEMSA Cerveza's brands in the United States. In April 2007, FEMSA Cerveza and Heineken USA entered into a new ten-year agreement pursuant to which Heineken USA will continue to be the exclusive importer, marketer and distributor of FEMSA Cerveza's beer brands in the United States. This agreement went into effect on January 1, 2008. Heineken will continue to benefit from the existing relationship between OXXO and FEMSA Cerveza after the closing of the Heineken transaction.

Export beer sales volume of 3.570 million hectoliters in 2009 represent 8.8% of FEMSA Cerveza's total beer sales volume. FEMSA Cerveza's export beer revenues of Ps. 4,737 represent 10.2% of total revenues in 2009. The following table highlights FEMSA Cerveza's export beer sales volumes and export beer sales:

FEMSA Cerveza Export Summary

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Export beer sales volume(1)	3,570	3,479	3,183	2,811	2,438
Volume growth(2)	2.6%	9.3%	13.2%	15.3%	8.8%
Percent of total beer sales volumes(3)	8.8%	8.5%	8.0%	7.4%	9.0%
Mexican pesos(4) (millions)	4,737	3,608	3,339	2,977	2,717
U.S. dollars(5) (millions)	350	327	299	256	227
Revenue growth (US$)(2)	7.0%	9.4%	16.5%	13.0%	45.8%
Percent of total revenues	10.2%	8.5%	8.4%	8.1%	10.2%

Source: FEMSA Cerveza.

(1) Thousands of hectoliters.

(2) Percentage change over prior year.

(3) Information prior to 2006 does not include Kaiser sales volume.

(4) Mexican pesos at December 31, 2009.

(5) Export beer sales are invoiced and collected in U.S. dollars.

As of December 31, 2009, FEMSA Cerveza exports its products to 58 countries. The principal export market for FEMSA Cerveza is North America, which accounts for 89% of FEMSA Cerveza's export beer sales volume in 2009.

FEMSA Cerveza's principal export brands are *Tecate*, *XX Lager*, *Dos Equis (Ambar)* and *Sol*. These brands collectively account for 93% of FEMSA Cerveza's export sales volume for the year ended December 31, 2009.

FEMSA Comercio

Overview and Background

FEMSA Comercio operates the largest chain of convenience stores in Mexico, measured in terms of number of stores as of December 31, 2009, under the trade name OXXO. As of December 31, 2009, FEMSA Comercio operated 7,334 OXXO stores, of which 7,329 are located throughout the country, with a particularly strong presence in the northern part of Mexico, and the remaining five stores are located in Bogotá, Colombia.

FEMSA Comercio, the largest single customer of FEMSA Cerveza and of the Coca-Cola system in Mexico, was established by FEMSA in 1978 when two OXXO stores were opened in Monterrey, one store in Mexico City and another store in Guadalajara. The motivating factor behind FEMSA's entrance into the retail

industry was to enhance beer sales through company-owned retail outlets as well as to gather information on customer preferences. In 2009, sales of beer through OXXO represented 13.4% of FEMSA Cerveza's domestic beer sales volume as well as approximately 15.1% of FEMSA Comercio's revenues. In 2009, a typical OXXO store carried 1,954 different store keeping units (SKUs) in 31 main product categories.

In recent years, FEMSA Comercio has gained importance as an effective distribution channel for our beverage products, as well as a rapidly growing point of contact with our consumers. Based on the belief that location plays a major role in the long-term success of a retail operation such as a convenience store, as well as a role in our continually improving ability to accelerate and streamline the new-store development process, FEMSA Comercio has focused on a strategy of rapid, profitable growth. FEMSA Comercio opened 716, 811 and 960 net new OXXO stores in 2007, 2008 and 2009, respectively. The accelerated expansion yielded total revenue growth of 13.6% to reach Ps. 53,549 million in 2009. Starting in 2008, FEMSA Comercio revenues reflect an accounting effect of the mix shift from physical prepaid wireless air-time cards to the sale of electronic air-time for which only the margin is recorded, not the full revenue amount of the electronic recharge. Therefore, store sales increased 1.3%, which is lower than the retail industry average of 2.9% for the same period. Excluding this effect, same store sales would have increased above the retail industry average. FEMSA Comercio performed approximately 2,032 million transactions in 2009 compared to 1,695 million in 2008.

Business Strategy

A fundamental element of FEMSA Comercio's business strategy is to utilize its position in the convenience store market to grow in a cost-effective and profitable manner. As a market leader in convenience store retailing, based on internal company surveys, management believes that FEMSA Comercio has an in-depth understanding of its markets and significant expertise in operating a national store chain. FEMSA Comercio intends to continue increasing its store base while capitalizing on the market knowledge gained at existing stores.

FEMSA Comercio has developed proprietary models to assist in identifying appropriate store locations, store formats and product categories. Its model utilizes location-specific demographic data and FEMSA Comercio's experience in similar locations to fine tune the store format and product offerings to the target market. Market segmentation is becoming an important strategic tool, and it should increasingly allow FEMSA Comercio to improve the operating efficiency of each location and the overall profitability of the chain.

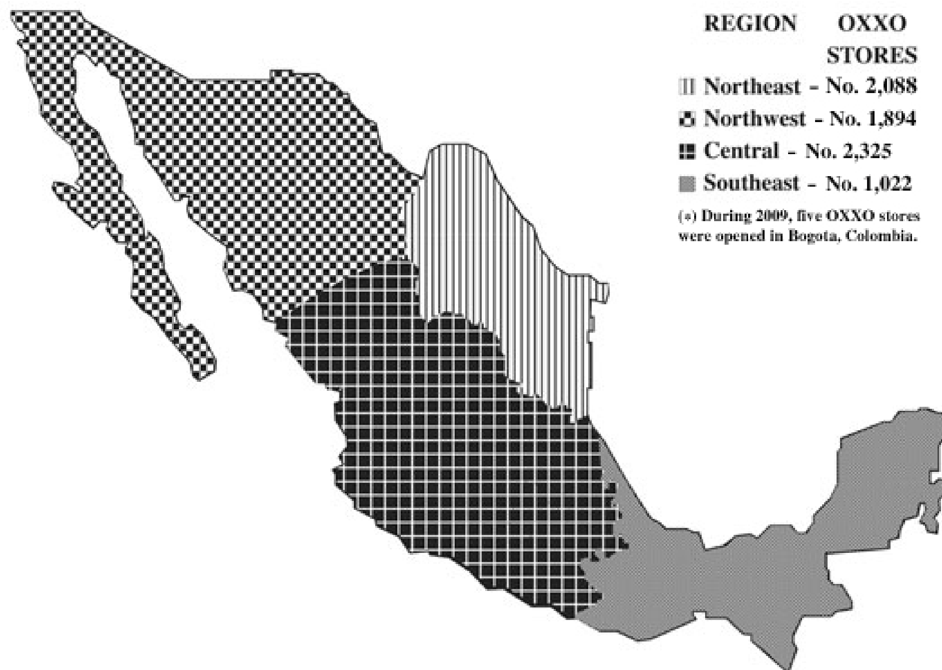
FEMSA Comercio has made and will continue to make significant investments in information technology to improve its ability to capture customer information from its existing stores and to improve its overall operating performance. All products carried through OXXO stores are bar-coded, and all OXXO stores are equipped with point-of-sale systems that are integrated into a company-wide computer network. To implement revenue management strategies, FEMSA Comercio created a division in charge of product category management for products, such as beverages, fast food and perishables, to enhance and better utilize its consumer information base and market intelligence capabilities. FEMSA Comercio has implemented an ERP system, which will allow FEMSA Comercio to continue redesigning its key operating processes and enhance the usefulness of its market information going forward. In addition, FEMSA Comercio has expanded its operations by opening five new stores in Bogotá, Colombia in 2009.

FEMSA Comercio has adopted innovative promotional strategies in order to increase store traffic and sales. In particular, FEMSA Comercio sells high-frequency items such as beverages, snacks and cigarettes at competitive prices. FEMSA Comercio's ability to implement this strategy profitably is partly attributable to the size of the OXXO chain, as FEMSA Comercio is able to work together with its suppliers to implement their revenue-management strategies through differentiated promotions. OXXO's national and local marketing and promotional strategies are an effective revenue driver and a means of reaching new segments of the population while strengthening the OXXO brand. For example, the organization has refined its expertise in executing cross promotions (discounts on multi-packs or sales of complementary products at a special price) and targeted promotions to attract new customer segments, such as housewives, by expanding the offerings in the grocery product category in certain stores. FEMSA Comercio is also strengthening its capabilities to increasingly provide consumers with services such as utility bill payment and other basic transactions.

Store Locations

With 7,329 OXXO stores in Mexico and five stores in Colombia as of December 31, 2009, FEMSA Comercio operates the largest convenience store chain in Latin America measured by number of stores. OXXO stores are concentrated in the northern part of Mexico, but also have a growing presence in central Mexico and the Gulf coast.

FEMSA Comercio
Regional Allocation of OXXO Stores in Mexico and Latin America (*)
as of December 31, 2009



FEMSA Comercio has aggressively expanded its number of stores over the past several years. The average investment required to open a new store varies, depending on location and format and whether the store is opened in an existing retail location or requires construction of a new store. FEMSA Comercio is generally able to use supplier credit to fund the initial inventory of new stores.

Growth in Total OXXO Stores

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Total OXXO stores	7,334	6,374	5,563	4,847	4,141
Store growth (% change over previous year)	15.1%	14.6%	14.8%	17.0%	19.5%

FEMSA Comercio currently expects to continue the growth trend established over the past several years by emphasizing growth in areas of high economic potential in existing markets and by expanding in underserved and unexploited markets. Management believes that the southeast part of Mexico is particularly underserved by the convenience store industry.

The identification of locations and pre-opening planning in order to optimize the results of new stores are important elements in FEMSA Comercio's growth plan. FEMSA Comercio continuously reviews store performance against certain operating and financial benchmarks to optimize the overall performance of the chain. Stores unable to maintain benchmark standards are generally closed. Between December 31, 2005 and 2009, the total number of OXXO stores increased by 3,193 which resulted from the opening of 3,283 new stores and the closing of 90 existing stores.

Competition

OXXO competes in the convenience store segment of the retail market with 7-Eleven, Super Extra, Super City, Circle-K and AM/PM, as well as other local convenience stores. The format of these stores is similar to the format of the OXXO stores. OXXO competes both for consumers and for new locations for stores and the managers to operate those stores. Based on an internal market survey conducted by FEMSA Comercio, management believes that, as of December 31, 2009, there were approximately 11,688 stores in Mexico that could be considered part of the convenience store segment of the retail market. OXXO is the largest chain in Mexico, operating almost two-thirds of these stores. Furthermore, FEMSA Comercio operates in the 32 Mexican states and has much broader geographical coverage than any of its competitors in Mexico.

Market and Store Characteristics

Market Characteristics

FEMSA Comercio is placing increased emphasis on market segmentation and differentiation of store formats to more appropriately serve the needs of customers on a location-by-location basis. The principal segments include residential neighborhoods, commercial and office locations and stores near schools and universities, along with other types of specialized locations.

Approximately 67% of OXXO's customers are between the ages of 15 and 35. FEMSA Comercio also segments the market according to demographic criteria, including income level.

Store Characteristics

The average size of an OXXO store is approximately 108 square meters of selling space, excluding space dedicated to refrigeration, storage or parking. The average constructed area of a store is approximately 186 square meters and, when parking areas are included, the average store size increases to approximately 441 square meters.

FEMSA Comercio—Operating Indicators

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(percentage increase compared to previous year)				
Total FEMSA Comercio revenues	13.6%	12.0%	14.3%	18.7%	21.8%
OXXO same-store sales[(1)]	1.3%	0.4%	3.3%	8.2%	8.7%
	(percentage of total)				
Beer-related data:					
Beer sales as % of total store sales	15.1%	14.6%	13.4%	13.5%	13.0%
OXXO store sales as a % of FEMSA Cerveza's volume	13.4%	12.3%	11.0%	9.9%	8.6%

(1) Same-store sales growth is calculated by comparing the sales of stores for each year that have been in operation for at least 13 months with the sales of those same stores during the previous year.

Beer, cellular telephone air-time, soft drinks and cigarettes represent the main product categories for OXXO stores. FEMSA Comercio has a distribution agreement with FEMSA Cerveza. As a result of this agreement, OXXO stores only carry beer brands produced and distributed by FEMSA Cerveza. As part of the Heineken transaction, OXXO stores will continue to benefit from the existing relationship under which FEMSA Cerveza (now part of Heineken) will continue to be the exclusive supplier of beer to OXXO until June 2020. Prior to 2001, OXXO stores had informal agreements with Coca-Cola bottlers, including Coca-Cola FEMSA's territories in central Mexico, to sell only their products. Since 2001, a limited number of OXXO stores began selling *Pepsi* products in certain cities in northern Mexico, as part of a defensive competitive strategy.

Approximately 71% of OXXO stores are operated by independent managers responsible for all aspects of store operations. The managers are commission agents and are not employees of FEMSA Comercio. Each store manager is the legal employer of the store's staff, which typically numbers six people per store. FEMSA Comercio continually invests in on-site operating personnel, with the objective of promoting loyalty, customer-service and low personnel turnover in the stores.

Advertising and Promotion

FEMSA Comercio's marketing efforts include both specific product promotions and image advertising campaigns. These strategies seek to increase store traffic and sales, and to reinforce the OXXO name and market position.

FEMSA Comercio manages its advertising on three levels depending on the nature and scope of the specific campaign: local or store-specific, regional and national. Store-specific and regional campaigns are closely monitored to ensure consistency with the overall corporate image of OXXO stores and to avoid conflicts with national campaigns. FEMSA Comercio primarily uses point of purchase materials, flyers, handbills and print and radio media for promotional campaigns, although television is used occasionally for the introduction of new products and services. The OXXO chain's image and brand name are presented consistently across all stores, irrespective of location.

Inventory and Purchasing

FEMSA Comercio has placed considerable emphasis on improving operating performance. As part of these efforts, FEMSA Comercio continues to invest in extensive information management systems to improve inventory management. Electronic data collection has enabled FEMSA Comercio to reduce average inventory levels. Inventory replenishment decisions are carried out on a store-by-store basis.

Management believes that the OXXO chain's scale of operations provides FEMSA Comercio with a competitive advantage in its ability to realize strategic alliances with suppliers. General category offerings are determined on a national level, although purchasing decisions are implemented on a local, regional or national level,

depending on the nature of the product category. Given the fragmented nature of the retail industry in Mexico in general, Mexican producers of beer, soft drinks, bread, dairy products, snacks, cigarettes and other high-frequency products have established proprietary distribution systems with extensive direct distribution routes. As a result, approximately 51% of the products carried by the OXXO chain are delivered directly to the stores by suppliers. Other products with longer shelf lives are distributed to stores by FEMSA Comercio's distribution system, which includes ten regional warehouses located in Monterrey, Mexico City, Guadalajara, Mexicali, Mérida, León, Obregón, Puebla, Chihuahua and Reynosa. The distribution centers operate a fleet of approximately 354 trucks that make deliveries to each store approximately once a week.

Seasonality

OXXO stores experience periods of high demand in December, as a result of the holidays, and in July and August, as a result of increased consumption of beer and soft drinks during the hot summer months. The months of November and February are generally the weakest sales months for OXXO stores. In general, colder weather during these months reduces store traffic and consumption of cold beverages.

Other Stores

FEMSA Comercio also operates other stores under the names Bara, Six and Matador.

Other Business

Our other business consists of the following smaller operations that support our core operations:

- Our commercial refrigerators, labels and flexible packaging subsidiaries. The refrigeration business produces vertical and horizontal commercial refrigerators for the soft drink, beer and food industries, with an annual capacity of 257,280 units at December 31, 2009. In 2009, this business sold 227,085 refrigeration units, 45% of which were sold to Coca-Cola FEMSA, 9% of which were sold to FEMSA Cerveza and the remainder of which were sold to third parties. The labeling and flexible packaging business has its facility in Monterrey with an annual production capacity of 335,081 thousands meters of flexible packaging. In 2009, this business sold 41% of its label sales volume to FEMSA Cerveza, 20% to Coca-Cola FEMSA and 39% to third parties. Management believes that growth at these businesses will continue to reflect the marketing strategy of Coca-Cola FEMSA.
- Our logistics services subsidiary provides logistics services to Coca-Cola FEMSA, FEMSA Empaques, the packaging operations of FEMSA Cerveza, FEMSA Comercio and third-party clients that either supply or participate directly in the Mexican beverage industry or in other industries. This business provides integrated logistics support for its clients' supply chain, including the management of carriers and other supply chain services.
- One of our subsidiaries is the owner of the *Mundet* brands of soft drinks and certain concentrate production equipment, which are licensed to and produced and distributed by Coca-Cola FEMSA.
- Our corporate services subsidiary employs all of our corporate staff, including the personnel managing the areas of finance, corporate accounting, taxation, legal, financial and strategic planning, human resources and internal audit. Through this subsidiary, we direct, control, supervise and review the operations of our sub-holding companies. As of December 31, 2009, FEMSA Cerveza, FEMSA Comercio and our packaging subsidiaries pay management fees for the services provided to them. In addition, Coca-Cola FEMSA has entered into a services agreement pursuant to which it pays for specific services. As part of the Heineken transaction, the corporate services subsidiary will continue to provide some services to Cervecería Cuauhtémoc Moctezuma (now part of Heineken), for which the entity will continue to pay.

Description of Property, Plant and Equipment

As of December 31, 2009, we owned all of our manufacturing facilities and substantially all of our warehouses and distribution centers. Our properties primarily consisted of production and distribution facilities for our beer and soft drink operations and office space. In addition, FEMSA Comercio owns approximately 12.0% of the OXXO store locations, while the other stores are located in properties that are rented under long-term lease arrangements with third parties.

The table below sets forth the location, principal use and production area of our production facilities, and the sub-holding company that owns such facilities.

Production Facilities of FEMSA
As of December 31, 2009

Sub-holding Company	Location	Principal Use	Production Area (in thousands of sq. meters)
Coca-Cola FEMSA			
Mexico	San Cristóbal de las Casas, Chiapas	Soft Drink Bottling Plant	45
	Cuautitlán, Estado de México	Soft Drink Bottling Plant	35
	Los Reyes la Paz, Estado de México	Soft Drink Bottling Plant	50
	Toluca, Estado de México	Soft Drink Bottling Plant	242
	Celaya, Guanajuato	Soft Drink Bottling Plant	87
	León, Guanajuato	Soft Drink Bottling Plant	38
	Morelia, Michoacan	Soft Drink Bottling Plant	50
	Ixtacomitán, Tabasco	Soft Drink Bottling Plant	117
	Apizaco, Tlaxcala	Soft Drink Bottling Plant	80
	Coatepec, Veracruz	Soft Drink Bottling Plant	142
Guatemala	Guatemala City	Soft Drink Bottling Plant	47
Nicaragua	Managua	Soft Drink Bottling Plant	54
Costa Rica	Calle Blancos, San José	Soft Drink Bottling Plant	52
	Coronado, San José	Soft Drink Bottling Plant	14
Panama	Panama City	Soft Drink Bottling Plant	29
Colombia	Barranquilla	Soft Drink Bottling Plant	37
	Bogotá	Soft Drink Bottling Plant	105
	Bucaramanga	Soft Drink Bottling Plant	26
	Cali	Soft Drink Bottling Plant	76
	Manantial	Soft Drink Bottling Plant	67
	Medellín	Soft Drink Bottling Plant	47
Venezuela	Antimano	Soft Drink Bottling Plant	15
	Barcelona	Soft Drink Bottling Plant	141
	Maracaibo	Soft Drink Bottling Plant	68
	Valencia	Soft Drink Bottling Plant	100
Brazil	Campo Grande	Soft Drink Bottling Plant	36
	Jundiaí	Soft Drink Bottling Plant	191
	Mogi das Cruzes	Soft Drink Bottling Plant	119
	Belo Horizonte	Soft Drink Bottling Plant	73
Argentina	Alcorta	Soft Drink Bottling Plant	73
	Monte Grande, Buenos Aires	Soft Drink Bottling Plant	32

Sub-holding Company	Location	Principal Use	Production Area (in thousands of sq. meters)
FEMSA Cerveza			
	Tecate, Baja California	Brewery	586
	Toluca, Estado de México	Brewery	375
	Guadalajara, Jalisco	Brewery	117
	Monterrey, Nuevo León	Brewery	445
	Navojoa, Sonora	Brewery	548
	Orizaba, Veracruz	Brewery	281
	Pachuca, Hidalgo	Malt Plant	31
	San Marcos, Puebla	Malt Plant	110
	Ensenada, Baja California	Beverage Cans	33
	Toluca, Estado de México	Beverage Cans	34
	Monterrey, Nuevo León	Crown Caps and Can Lids	51
	Acayucan, Veracruz	Silica Sand Mine	9
	Nogales, Veracruz	Bottle Decoration	26
	Orizaba, Veracruz	Glass Bottles	29
Brazil			
	Jacareí	Brewery	72
	Ponta Grossa	Brewery	44
	Araraquara	Brewery	38
	Feira de Santana	Brewery	26
	Pacatuba	Brewery	38
	Gravataí	Brewery	23
	Cuiabá	Brewery	20
	Manaus	Brewery	11

Insurance

We maintain an "all risk" insurance policy covering our properties (owned and leased), machinery and equipment and inventories as well as losses due to business interruptions. The policy covers damages caused by natural disaster, including hurricane, hail, earthquake and damages caused by human acts, including explosion, fire, vandalism, riot and losses incurred in connection with goods in transit. In addition, we maintain an "all risk" liability insurance policy that covers product liability. We purchase our insurance coverage through an insurance broker. The policies for "all risk" property insurance and "all risk" liability insurance are issued by ACE Seguros, S.A., and the coverage is partially reinsured in the international reinsurance market. We believe that our coverage is consistent with the coverage maintained by similar companies operating in Mexico.

Capital Expenditures and Divestitures

Our consolidated capital expenditures for the years ended December 31, 2009, 2008, and 2007 were Ps. 13,178 million, Ps. 14,234 million and Ps. 11,257 million respectively, and were for the most part financed from cash from operations generated by our subsidiaries. These amounts were invested in the following manner:

	Year Ended December 31,		
	2009	2008	2007
	(in millions of Mexican pesos)		
Coca-Cola FEMSA	Ps. 6,282	Ps. 4,802	Ps. 3,682
FEMSA Cerveza	4,111	6,418	5,373
FEMSA Comercio	2,668	2,720	2,112
Other	117	294	90
Total	Ps.13,178	Ps.14,234	Ps.11,257

Coca-Cola FEMSA

During 2009, Coca-Cola FEMSA's capital expenditures focused on increasing plant operating capacity, improving the efficiency of distribution infrastructure, placing coolers with retailers, returnable bottles and cases and information technology. Capital expenditures in Mexico were approximately Ps. 2,710 million and accounted for approximately 43% of Coca-Cola FEMSA's capital expenditures.

FEMSA Cerveza

Production

During 2009, FEMSA Cerveza invested approximately Ps. 653 million on equipment substitution and upgrades in its facilities. FEMSA Cerveza's monthly installed capacity as of December 31, 2009 was 4.86 million hectoliters, equivalent to an annualized installed capacity of 58.3 million hectoliters. In addition, FEMSA Cerveza invested Ps. 295 million in plant improvements and equipment upgrades for its beverage can and glass bottle operations.

Distribution

In 2009, FEMSA Cerveza invested Ps. 387 million in its distribution network. Approximately Ps. 276 million of this amount was invested in the replacement of trucks in its distribution fleet, Ps. 70 million in land, buildings and improvements to leased properties dedicated to various distribution functions, and the remaining Ps. 41 million in other distribution-related investments.

Market-related Investments

During 2009, FEMSA Cerveza invested Ps. 2,154 million in market-related activities and brand support in the domestic market. Approximately 53% of these investments were directed to customer agreements with retailers and commercial support to owned and third-party distributors. Investments in retail agreements that exceed a one-year term are capitalized and amortized over the life of the agreement. In general, FEMSA Cerveza's retail agreements were for a period of four to five years. Other market-related investments include the purchase of refrigeration equipment, coolers and billboards. These items were placed with retailers as a mean of facilitating the retailers' ability to service consumers and to promote the image and profile of FEMSA Cerveza's brands.

Information Technology Investments and Others

In addition, during 2009, FEMSA Cerveza invested Ps. 622 million in system software projects.

FEMSA Comercio

FEMSA Comercio's principal investment activity is the construction and opening of new stores. During 2009, FEMSA Comercio opened 960 net new OXXO stores. FEMSA Comercio invested Ps. 2,668 million in 2009 in the addition of new stores, warehouses and improvements to leased properties.

Regulatory Matters

Competition Legislation

The *Ley Federal de Competencia Económica* (Federal Economic Competition Law or Mexican Competition Law) became effective on June 22, 1993. The Mexican Competition Law and the *Reglamento de la Ley Federal de Competencia Económica* (Regulations under the Mexican Competition Law), effective as of October 13, 2007, regulate monopolies and monopolistic practices and require Mexican government approval of certain mergers and acquisitions. The Mexican Competition Law subjects the activities of certain Mexican companies, including us, to regulatory scrutiny. In addition, the Regulations under the Mexican Competition Law prohibit members of any trade association from reaching any agreement relating to the price of their products. Management believes that we are currently in compliance in all material respects with Mexican competition legislation.

In Mexico and in some of the other countries in which we operate, we are involved in different ongoing competition related proceedings. We believe that the outcome of these proceedings will not have a material adverse effect on our financial position or results of operations. See "Item 8. Financial Information—Legal Proceedings—Coca-Cola FEMSA—Antitrust Matters."

Taxation of Sparkling Beverages

All the countries in which Coca-Cola FEMSA operates, except for Panama, impose a value-added tax on the sale of sparkling beverages, with a rate of 16% in Mexico beginning in January 2010 (15% through the end of 2009), 12% in Guatemala, 15% in Nicaragua, 13% in Costa Rica, 16% in Colombia (applied only to the first sale in supply chain), 12% in Venezuela (beginning in April 2009), 17% (Mato Grosso do Sul) and 18% (São Paulo and Minas Gerais) in Brazil, and 21% in Argentina. In addition, several of the countries in which Coca-Cola FEMSA operates impose the following excise or other taxes:

- Guatemala imposes an excise tax of 0.18 cents in local currency (Ps. 0.28 as of December 31, 2009) per liter of sparkling beverage.
- Costa Rica imposes a specific tax on non-alcoholic bottled beverages based on the combination of packaging and flavor, a 5% excise tax on local brands, a 10% tax on foreign brands and a 14% tax on mixers, and another specific tax on non-alcoholic beverages of 14.39 colones (Ps. 0.33 as of December 31, 2009) for every 250 ml.
- Nicaragua imposes a 9% tax on consumption, and municipalities impose a 1% tax on Coca-Cola FEMSA's Nicaraguan gross income.
- Panama imposes a 5% tax based on the cost of goods produced.
- Brazil imposes an average production tax of 4.9% and an average sales tax of 7.8%, both assessed by the federal government. Most of these taxes are fixed, based on average retail prices in each state where the company operates (VAT) or fixed by the federal government (excise and sales tax).
- Argentina imposes an excise tax on sparkling beverages containing less than 5% lemon juice or less than 10% fruit juice of 8.7%, and an excise tax on flavored sparkling beverage with 10% or more fruit juice and on sparkling water of 4.2%, although this excise tax is not applicable to certain of Coca-Cola FEMSA's products.

Environmental Matters

In all of the countries where we operate, our businesses are subject to federal and state laws and regulations relating to the protection of the environment.

Mexico

In Mexico, the principal legislation is the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (Federal General Law for Ecological Equilibrium and Environmental Protection or the Mexican Environmental Law) and the *Ley General para la Prevención y Gestión Integral de los Residuos* (General Law for the Prevention and Integral Management of Waste), which are enforced by the *Secretaría de Medio Ambiente y Recursos Naturales* (Ministry of the Environment and Natural Resources or SEMARNAT). SEMARNAT can bring administrative and criminal proceedings against companies that violate environmental laws, and it also has the power to temporarily close non-complying facilities. Under the Mexican Environmental Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances. In particular, Mexican environmental laws and regulations require that we file periodic reports with respect to air and water emissions and hazardous wastes and set forth standards for waste water discharge that apply to our operations. We are also subject to certain minimal restrictions on the operation of delivery trucks in Mexico City. We have implemented several programs designed to facilitate compliance with air, waste, noise and energy standards established by current Mexican federal and state environmental laws, including a program that installs catalytic converters and liquid petroleum gas in delivery trucks for our operations in Mexico City. See "—Coca-Cola FEMSA—Product Distribution."

In addition, we are subject to the *Ley de Aguas Nacionales* (the National Water Law), enforced by the *Comisión Nacional del Agua* (the Mexican National Water Commission), or CONAGUA. Adopted in December 1992, the law provides that plants in Mexico that use deep water wells to supply their water requirements must pay a fee to the city for the discharge of residual waste water to drainage. Pursuant to this law, certain local authorities test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by CONAGUA. All of Coca-Cola FEMSA's bottler plants located in Mexico City, as well as the Toluca plant, met these standards as of 2001.

Coca-Cola FEMSA's Mexican operations established a partnership with The Coca-Cola Company and ALPLA, a supplier of plastic bottles to Coca-Cola FEMSA in Mexico, to create *Industria Mexicana de Reciclaje* (IMER), a PET recycling facility located in Toluca, Mexico. This facility started operations in 2005 and has a recycling capacity of 25,000 metric tons per year from which 15,000 metric tons can be re-used in PET bottles for food packaging purposes. Coca-Cola FEMSA has also continued contributing funds to a nationwide recycling company, *Ecología y Compromiso Empresarial* (Environmentally Committed Companies). In addition, Coca-Cola FEMSA's plants located in Toluca, Reyes, Cuautitlán, Apizaco, San Cristobal, Morelia, Ixtacomitan and Coatepec have received a *Certificado de Industria Limpia* (Certificate of Clean Industry).

As part of our environmental protection and sustainability strategies, some of our subsidiaries have entered into a wind power supply agreement with Energía Alterna Istmeña S. de R.L. de C.V. to receive electrical energy supply at Coca-Cola FEMSA and FEMSA Cerveza's plants, as well as at many OXXO stores. The wind farm will be entirely financed by the supplier, it will be located in the state of Oaxaca and it is expected to have an output of 220 megawatts. We anticipate that the wind power supply will begin in 2011.

Also, as part of Coca-Cola FEMSA's environmental protection and sustainability strategies, in December 2009, some of its affiliates, jointly with other third parties, entered into a generation and wind energy supply agreement with a subsidiary of GAMESA Energía, S.A. to supply energy to a plant in Toluca, Mexico, owned by Coca-Cola FEMSA's subsidiary, Propimex, S.A. de C.V. The plant, which is located in La Ventosa, Oaxaca, is expected to generate approximately 100 thousand megawatt hours annually. The energy supply services began in April 2010.

Central America

Coca-Cola FEMSA's Central American operations are subject to several federal and state laws and regulations relating to the protection of the environment, which have been enacted in the last ten years, as awareness has increased in this region about the protection of the environment and the disposal of dangerous and toxic materials as well as water usage. In some countries in Central America, Coca-Cola FEMSA is in the process of bringing its operations into compliance with new environmental laws on the timeline established by the relevant regulatory authorities. Coca-Cola FEMSA's Costa Rica and Panama operations have participated in a joint effort

along with the local division of The Coca-Cola Company called *Misión Planeta* (Mission Planet) for the collection and recycling of non-returnable plastic bottles.

Colombia

Coca-Cola FEMSA's Colombian operations are subject to several Colombian federal, state and municipal laws and regulations related to the protection of the environment and the disposal of treated water and toxic and dangerous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. Coca-Cola FEMSA is also engaged in nationwide campaigns for the collection and recycling of glass and plastic bottles as well as reforestation programs. Coca-Cola FEMSA has received a "*Certificación Ambiental Fase IV*" (Phase IV Environmental Certificate) for each of its Columbian plants.

Venezuela

Coca-Cola FEMSA's Venezuelan operations are subject to several Venezuelan federal, state and municipal laws and regulations related to the protection of the environment. The most relevant of these laws are the *Ley Orgánica del Ambiente* (Organic Environmental Law), the *Ley Sobre Sustancias, Materiales y Desechos Peligrosos* (Substance, Material and Dangerous Waste Law), the *Ley Penal del Ambiente* (Criminal Environment Law) and the *Ley de Aguas* (Water Law). Since the enactment of the Organic Environmental Law in 1995, Coca-Cola FEMSA's Venezuelan subsidiary has presented the proper authorities with plans to bring their production facilities and distribution centers into compliance with the law, which mainly consist of building or expanding the capacity of water treatment plants in Coca-Cola FEMSA's bottling facilities. Even though Coca-Cola FEMSA has had to adjust some of the originally proposed timelines due to construction delays, in 2009, Coca-Cola FEMSA completed the construction and received all the required permits to operate a new water treatment plant in its bottling facility located in the city of Barcelona. At the end of 2009, Coca-Cola FEMSA also agreed with the relevant authorities to construct a water treatment plant in its Valencia plant within the next 18 months. Coca-Cola FEMSA expects to complete the water treatment plant projects in the rest of its bottling facilities during the first half of 2011. Coca-Cola FEMSA is also in process of obtaining the ISO 14000 certification for all of its plants in Venezuela.

Brazil

FEMSA Cerveza and Coca-Cola FEMSA's Brazilian operations are subject to several federal, state and municipal laws and regulations related to the protection of the environment. Among the most relevant laws and regulations are those dealing with the emission of toxic and dangerous gases, disposal of solid waste and disposal of wastewater, which impose penalties, such as fines, facility closures or criminal charges depending upon the level of non-compliance.

Coca-Cola FEMSA's production plant located in Jundiaí has been recognized by the Brazilian authorities for its compliance with environmental regulations and for having standards well above those imposed by the law. The plant has been certified for the (i) ISO 9001 since March 1995; (ii) ISO 14001 since March 1997; (iii) norm OHSAS 18001 since 2005; and iv) ISO 22000 since 2007. FEMSA Cerveza's other plants and Coca-Cola FEMSA's Brazilian operations are also ISO 9001, ISO 14001 and OHSAS 18001 certified.

In Brazil it is necessary to obtain concessions from the government to cast drainage. Coca-Cola FEMSA's plants in Brazil have been granted this concession, except Mogi das Cruzes, where it has timely begun the process of obtaining one. Coca-Cola FEMSA is in the process of expanding the capacity of its water treatment plant in its Jundiaí facility, which is expected to be completed in 2010.

In Brazil, a municipal regulation of the City of São Paulo, implemented pursuant to Law 13.316/2002, came into effect in May 2008. This regulation requires Coca-Cola FEMSA to collect for recycling a specified annual percentage of plastic bottles made from PET sold in the municipality; such percentage increases each year. As of May 2009, it was required to collect for recycling 50% of the PET bottles sold in the City of São Paulo and by May 2010, it is required to collect 75% of PET bottles for recycling and 90% in May 2011. Currently, Coca-Cola FEMSA is not able to collect the entire volume required of the PET bottles it sold in City of São Paulo for recycling.

If Coca-Cola FEMSA does not meet the requirements of this regulation, which are more onerous than those imposed by the countries with the highest recycling standards, it could be fined and be subject to other sanctions, such as the suspension of operations in any of its plants and/or distribution centers located in the City of São Paulo. In May 2008, Coca-Cola FEMSA, together with other bottlers in São Paulo, through the *Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-alcoólicas* (Brazilian Soft Drink and Non-Alcoholic Beverage Association, or ABIR), filed a motion requesting a court to overturn this regulation on the basis of impossibility of compliance. Through ABIR, Coca-Cola FEMSA is negotiating the reduction of recycling percentages and more reasonable timelines for compliance. In addition, in November 2009 in response to a requirement of the municipal authority request for Coca-Cola FEMSA to demonstrate the destination of the PET bottles sold in São Paulo, it filed a motion showing all of its recycling programs and requesting a more practical timeline to comply with the requirements of the law. Coca-Cola FEMSA is currently awaiting resolution of both of these matters.

Argentina

Coca-Cola FEMSA's Argentine operations are subject to federal and provincial laws and regulations relating to the protection of the environment. The most significant of these are regulations concerning waste water discharge, which are enforced by the *Secretaría de Ambiente y Desarrollo Sustentable* (Ministry of Natural Resources and Sustainable Development) and the *Organismo Provincial para el Desarrollo Sostenible* (Provincial Organization for Sustainable Development) for the province of Buenos Aires. Coca-Cola FEMSA's Alcorta plant is in compliance with environmental standards and has been certified for ISO 14001:2004 for the plants and operative units in Buenos Aires.

For all of Coca-Cola FEMSA's plant operations, Coca-Cola FEMSA employs two environmental management systems: (i) *Sistema Integral de Calidad* (Integral Quality System or SICKOF) and (ii) *Sistema de Administracion Ambiental* (Environmental Administration System or EKOSYSTEM). We do not believe that Coca-Cola FEMSA's business activities pose a material risk to the environment, and we believe that Coca-Cola FEMSA is in material compliance with all applicable laws and regulations.

Coca-Cola FEMSA has expended, and may be required to expend in the future, funds for compliance with and remediation under local environmental laws and regulations. Currently, we do not believe that such costs will have a material adverse effect on Coca-Cola FEMSA's results of operations, or financial condition. However, since environmental laws and regulations and their enforcement are becoming increasingly more stringent in Coca-Cola FEMSA's territories, and there is increased awareness by local authorities of higher environmental standards in the countries where it operates, changes in current regulations may result in an increase in costs, which may have an adverse effect on Coca-Cola FEMSA's future results of operations or financial condition. Coca-Cola FEMSA's management is not aware of any significant pending regulatory changes that would require a significant amount of additional remedial capital expenditures.

Other regulations

In December 2009, the Venezuelan government issued a decree requiring a reduction in energy consumption by at least 20% for industrial companies whose consumption is greater than two megawatts per hour and to submit an energy-usage reduction plan. Some of Coca-Cola FEMSA's bottling operations in Venezuela outside of Caracas met this threshold and it submitted a plan, which included the purchase of generators for its plants. In January 2010, the Venezuelan government subsequently implemented power cuts and other measures for all industries in Caracas whose consumption was above 35 kilowatts per hour. All of Coca-Cola FEMSA's bottling and distribution centers as well as administrative offices in Caracas met this threshold.

In January 2010, the Venezuelan government amended the *Ley para la Defensa y Acceso a las Personas a los Bienes y Servicios* (Access to Goods and Services Defense Law). Any violation by a company that produces, distributes and sells goods and services could lead to, among other consequences, fines, penalties or the confiscation of the assets used to produce, distribute and sell these goods without compensation. Although we believe Coca-Cola FEMSA is in compliance with this law, consumer protection laws in Venezuela are subject to continuing review and changes, and any such changes could lead to an adverse impact on Coca-Cola FEMSA.

Water Supply Law

Coca-Cola FEMSA and FEMSA Cerveza purchase water in Mexico directly from municipal water companies and pump water from wells and rivers pursuant to concessions obtained from the Mexican government on a plant-by-plant basis. Water use in Mexico is regulated primarily by the *Ley de Aguas Nacionales de 1992* (1992 Water Law), and regulations issued thereunder, which created the *Comisión Nacional del Agua* (National Water Commission). The National Water Commission is charged with overseeing the national system of water use. Under the 1992 Water Law, concessions for the use of a specific volume of ground or surface water generally run for five, ten, or fifteen-year terms, depending on the supply of groundwater in each region as projected by the National Water Commission. Concessionaires may request concession terms to be extended upon termination. The Mexican government is authorized to reduce the volume of ground or surface water granted for use by a concession by whatever volume of water is not used by the concessionaire for two consecutive years. However, because the current concessions for each of Coca-Cola FEMSA and FEMSA Cerveza's plants in Mexico do not match each plant's projected needs for water in future years, we successfully negotiated with the Mexican government the right to transfer the unused volume under concessions from certain plants to other plants anticipating greater water usage in the future. These concessions may be terminated if, among other things, we use more water than permitted or we fail to pay required concession-related fees and do not cure such situations in a timely manner.

Although we have not undertaken independent studies to confirm the sufficiency of the existing or future groundwater supply, we believe that our existing concessions satisfy our current water requirements in Mexico.

In Argentina, a state water company provides water to Coca-Cola FEMSA's Alcorta plant on a limited basis; however, we believe the authorized amount meets Coca-Cola FEMSA's requirements for this plant. Water is pumped from Coca-Cola FEMSA's own wells in its Monte Grande plant in Argentina, without the need for any specific permit or license.

In Brazil, we buy water directly from municipal utility companies and pump water from our own wells or rivers (Mogi das Cruzes and FEMSA Cerveza's plants) pursuant to concessions granted by the Brazilian government for each plant. According to the Brazilian Constitution, water is considered an asset of common use and may only be exploited for the national interest, by Brazilians or companies incorporated under Brazilian law. Dealers and users have the responsibility for any damage to the environment. The exploitation and use of water is regulated by the *Código de Mineração* (Code of Mining, Decree Law nº. 227/67), by the *Código de Águas Minerais* (Mineral Water Code, Decree Law nº. 7841/45), the National Water Resources Policy (Law nº. 9433/97) and by regulations issued thereunder. Companies that exploit water are supervised by the *Departamento Nacional de Produção Mineira—DNPM* (National Department of Mineral Production) and the National Water Agency in connection with sanitary, federal health agencies, as well as state and municipal authorities. In Coca-Cola FEMSA's Jundaí and Belo Horizonte plants, we do not exploit mineral water. In the Mogi das Cruzes and Campo Grande plants, we have all the necessary permits related to the exploitation of mineral water.

In Colombia, in addition to natural spring water, Coca-Cola FEMSA acquires water directly from its own wells and from local public companies. Coca-Cola FEMSA is required to have a specific concession to exploit water from natural sources. Water use is regulated by law no. 9 of 1979 and decrees no. 1594 of 1984 and no. 2811 of 1974. The National Institute of National Resources supervises companies that exploit water.

In Nicaragua and Costa Rica, Coca-Cola FEMSA owns and exploits its own water wells granted through governmental concessions. In Guatemala, no license or permits are required to exploit water from the private wells in Coca-Cola FEMSA's own plants. In Panama, Coca-Cola FEMSA acquires water from a state water company. In Venezuela, Coca-Cola FEMSA uses private wells in addition to water provided by the municipalities, and Coca-Cola FEMSA has taken the appropriate actions, including actions to comply with water regulations, to have water supply available from these sources.

We cannot assure you that water will be available in sufficient quantities to meet our future production needs, that we will be able to maintain our current concessions or that additional regulations relating to water use will not be adopted in the future in our territories. We believe that we are in material compliance with the terms of our existing water concessions and that we are in compliance with all relevant water regulations.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with, and is entirely qualified by reference to, our audited consolidated financial statements and the notes to those financial statements. Our audited consolidated financial statements were prepared in accordance with Mexican Financial Reporting Standards, which differ in certain significant respects from U.S. GAAP. Notes 26 and 27 to our audited consolidated financial statements provide a description of the principal differences between Mexican Financial Reporting Standards and U.S. GAAP as they relate to us, as well as U.S. GAAP consolidated balance sheets, statements of income and comprehensive income, and cash flows for the same periods presented for Mexican Financial Reporting Standards purposes and for the consolidated statement of changes in stockholders' equity for the years ended December 31, 2008 and 2009, and reconciliation to U.S. GAAP of net income and stockholders' equity. See "—U.S. GAAP Reconciliation."

Overview of Events, Trends and Uncertainties

Management currently considers the following events, trends and uncertainties to be important to understanding its results of operations and financial position during the periods discussed in this section:

- While Coca-Cola FEMSA's Mexican operations continue growing at a steady but moderate pace, operations in Central and South America are growing at accelerated rates. The *Coca-Cola* brand, together with the recently added still-beverage operation, delivered the majority of volume growth.
- At FEMSA Cerveza, total beer sales volumes decreased in Mexico and Brazil and increased in the export market. The high price of raw materials, particularly aluminum and barley, represented in 2009 an uncertainty in our cost structure. Heineken USA has been distributing FEMSA Cerveza's beer brands in the United States since January 1, 2005 with very encouraging results, and we have signed an agreement that extends this commercial relationship until December 2017.
- FEMSA Comercio accelerated its rate of OXXO store openings and continues to grow in terms of total revenues and as a percentage of our consolidated total revenues. FEMSA Comercio has lower operating margins than our beverage businesses. We expect to continue to expand the OXXO chain during 2010.

Our results of operations and financial position are affected by the economic and market conditions in the countries where our subsidiaries conduct their operations, particularly in Mexico. Changes in these conditions are influenced by a number of factors, including those discussed in "Item 3. Key Information—Risk Factors."

Recent Developments

On February 27, 2009, Coca-Cola FEMSA announced that it had successfully closed the transaction with Bavaria, a subsidiary of SABMiller, to jointly acquire with The Coca-Cola Company, the *Brisa* bottled water business (including the *Brisa* brand and production assets). As of June 1, 2009, Coca-Cola FEMSA sells and distributes the *Brisa* portfolio in Colombia. This transaction facilitates Coca-Cola FEMSA's continued increasing presence in the water business and complements Coca-Cola FEMSA's brand portfolio. The purchase price of US$ 92 million was shared equally by Coca-Cola FEMSA and The Coca-Cola Company.

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

On January 11, 2010, FEMSA announced that its Board of Directors unanimously approved a definitive agreement under which FEMSA would exchange its FEMSA Cerveza business for a 20% economic interest in Heineken, one of the world's leading brewers. Under the terms of the agreement, FEMSA would receive 43,018,320 shares of Heineken Holding N.V. and 72,182,201 shares of Heineken N.V., of which 29,172,502 will be delivered pursuant to an allotted share delivery instrument. It is expected that the allotted shares will be acquired by Heineken in the secondary market for delivery to FEMSA over a term not to exceed five years. Nonetheless, during the period for the delivery of the allotted shares, FEMSA will be subject to all the economic benefits, as well as the risk and obligations, of the Heineken Group as if such shares had been delivered at the closing of the transaction on April 30, 2010. Heineken would also assume US$ 2.1 billion of indebtedness, including FEMSA Cerveza's unfunded pension obligations. The principal terms of the Heineken transaction documents are summarized below in "Item 10. Additional Information—Material Contracts."

In January 2010, Coca-Cola FEMSA informed that Venezuelan Government authorities announced a devaluation of its currency, the Bolivar, and the establishment of a multiple exchange rate system: (1) 2.60 Bolivar to US$ 1.00 for high priority categories, (2) 4.30 Bolivar to US$ 1.00 for non-priority categories, and (3) the recognition of the existence of other exchange rates which the government shall determine. We expect this event will have an effect on our financial results, increasing our operating costs, as a result of the exchange rate movement applied to our U.S. dollar-denominated raw material cost, and reducing our Venezuelan operation results when translated into our reporting currency, the Mexican peso. According to accounting practices, the exchange rate that will be used to translate our financial statements as of January 2010, will be 4.30 Bolivar per U.S. dollar. As of December 31, 2009, the financial statements were translated to Mexican pesos using the exchange rate of 2.15 bolivars per U.S. dollar. As a result of this devaluation, the balance sheet of the Venezuelan subsidiary of Coca-Cola FEMSA reflected a reduction in shareholders' equity of Ps. 3,700 million which will be accounted for at the time of the devaluation in January 2010. The devaluation of the bolivars did not result in significant exchange losses in January 2010 as a result of remeasuring U.S. dollar denominated monetary items on hand as of December 31, 2009.

On February 5, 2010, Coca-Cola FEMSA successfully issued an aggregate principal amount of US$ 500 million of senior notes due 2020, at a yield of 4.689% (U.S. Treasury + 105 basis points) with a coupon of 4.625%.

On February 25, 2010, and on April 16, 2010, Coca-Cola FEMSA repaid its Mexican peso-denominated bonds, *Certificado Bursátil* KOF 09 and *Certificado Bursátil* KOF03-03, at maturity in an aggregate principal amount of Ps. 2,000 million and Ps. 1,000 million, respectively.

On March 10, 2010, FEMSA announced that subsidiaries of FEMSA have signed an agreement with subsidiaries of The Coca-Cola Company to amend the shareholders agreement for Coca-Cola FEMSA. The main purpose of the amendment is to set forth that the appointment and compensation of the chief executive officer and all officers reporting to the chief executive officer, as well as the adoption of decisions related to the ordinary operations of Coca-Cola FEMSA shall only require a simple majority vote of the board of directors. Decisions related to extraordinary matters (such as business acquisitions or combinations, among others) shall continue requiring of the vote of the majority of the board of directors, including the affirmative vote of two of the members appointed by The Coca-Cola Company. This amendment was signed without transfer of any consideration. The

percentage of our voting interest in our subsidiary Coca-Cola FEMSA remains the same after the signing of this amendment.

On March 29, 2010, FEMSA announced that the Comisión Federal de Competencia, Mexico's anti-trust regulator, has approved without reservation the strategic exchange of 100% of the shares of the beer operations owned by FEMSA for an interest in the Heineken Group, under the terms described in FEMSA's disclosure of January 11, 2010. Hart-Scott-Rodino approval has also been granted by the relevant trade authorities in the United States.

On April 14, 2010, Coca-Cola FEMSA held its AGM during which its shareholders approved the Company's consolidated financial statements for the year ended December 31, 2009, the declaration of dividends corresponding to fiscal year 2009 and the composition of the Board of Directors and Committees for 2010. Shareholders approved the payment of a cash dividend in the amount of approximately Ps. 2,604 million. The dividend paid as of April 26, 2010, in the amount of Ps. 1.41 per each ordinary share, equivalent to Ps. 14.10 per ADS.

On April 22, 2010, Heineken N.V. and Heineken Holding N.V. held their AGM, and approved the acquisition of 100% of the shares of the beer operations owned by FEMSA, under the terms announced on January 11, 2010. The AGM of Heineken appointed, subject to the completion of the acquisition of FEMSA's beer operations, Mr. Jose Antonio Fernandez Carbajal as member of the Board of Directors of Heineken Holding N.V. and Heineken N.V. Supervisory Board, and Mr. Javier Astaburuaga Sanjines as second representative in the Heineken N.V. Supervisory Board.

On April 26, 2010, FEMSA held its AGM, during which shareholders approved the transaction with Heineken, the Company's consolidated financial statements for the year ended December 31, 2009, the declaration of dividends corresponding to fiscal year 2009 and the composition of the Board of Directors for 2010. Shareholders approved the exchange of 100% of FEMSA's beer operations in Mexico and Brazil for a 20% economic interest in the Heineken Group, and the assumption by Heineken of debt in the amount of US$2.1 billion dollars, under the transaction terms described on January 11, 2010. Additionally, shareholders approved the payment of a cash dividend in the amount of Ps. 2,600 million, consisting of Ps. 0.162076 per each Series "D" share and Ps. 0.1296608 per each Series "B" share, which amounts to Ps. 0.777965 per "BD" Unit or Ps. 7.77965 per ADS, and Ps. 0.648304 per "B" Unit. The dividend payment split into two equal payments, one was paid on May 4, 2010 and the second is payable on November 3, 2010.

On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group. The principal terms of the Heineken transaction documents are summarized below in "Item 10. Additional Information—Material Contracts."

Changes in Mexican Financial Reporting Standards

The Mexican National Banking and Securities Commission announced the adoption of International Financial Reporting Standards for public companies

The *Comisión Nacional Bancaria y de Valores* (Mexican National Banking and Securities Commission, or CNBV) has announced that commencing in 2012, all Mexican public companies must report their financial information in accordance with International Financial Reporting Standards (IFRS). Since 2006, the *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* (Mexican Board of Research and Development of Financial Reporting Standards) has been modifying Mexican Financial Reporting Standards in order to ensure their convergence with IFRS. We are in the process of analyzing the potential impact of adopting IFRS.

Effects of Changes in Economic Conditions

Our results of operations are affected by changes in economic conditions in Mexico and in the other countries in which we operate. For the years ended December 31, 2009, 2008 and 2007, 62%, 66% and 69%, respectively, of our total sales were attributable to Mexico (not including export sales). After the acquisitions of Panamco and Kaiser, we have greater exposure to countries in which we have not historically conducted operations, particularly countries in Central America, Colombia, Venezuela and Brazil, although we continue to generate a substantial portion of our total sales from Mexico. The participation of these other countries as a percentage of our total sales has increased during the last five years and is expected to continue increasing in future periods.

The Mexican economy is currently experiencing a downturn as a result of the impact of the global financial crisis on many emerging economies during the second half of last year. In the third quarter of 2009, Mexican GDP contracted by approximately 6.2% compared to the same period in 2008 and experienced a contraction of 6.5% for the full year of 2009, according to INEGI. According to the *Banco Nacional de México* survey regarding the economic expectations of specialists, Mexican GDP is expected to increase by 4.2% in 2010, as of the last estimate published in April 2010. The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, further deterioration in economic conditions in, or delays in the recovery of, the U.S. economy may hinder any recovery in Mexico.

Our future results may be significantly affected by the general economic and financial conditions in the countries where we operate, including by levels of economic growth, by the devaluation of the local currency, by inflation and high interest rates or by political developments, and may result in lower demand for our products, lower real pricing or a shift to lower margin products. Because a large percentage of our costs are fixed costs, we may not be able to reduce such costs and expenses, and our profit margins may suffer as a result of downturns in the economy of each country.

The decrease of interest rates in Mexico in 2009 decreases our cost of Mexican peso-denominated variable interest rate indebtedness and could have a favorable effect on our financial position and results of operations during 2010. During 2008, due to constraints in the international credit market and limited credit availability in the international markets and Mexico, as well as changes in the currency mix of our debt, our weighted average interest rate increased by 70 basis points.

Beginning in the fourth quarter of 2008 and through 2009, the value of the Mexican peso relative to the U.S. dollar fluctuated significantly, with a low during 2008 of Ps. 9.92 per U.S. dollar, to a high of Ps. 13.94 per U.S. dollar. At December 31, 2009, the exchange rate (noon buying rate) was Ps. 13.0576 to US$ 1.00. On April 30, 2010, the exchange rate was 12.2281. See “Item 3. Key Information—Exchange Rate Information.” A depreciation of the Mexican peso or local currencies in the countries in which we operate relative to the U.S. dollar increases our cost of raw materials priced in U.S. dollars, including raw materials whose prices are set with reference to the U.S. dollar. In addition, a depreciation of the Mexican peso or local currencies in the countries in which we operate relative to the U.S. dollar will increase our U.S.-denominated debt obligations, which could negatively affect our financial position and results of operations, as we experienced in the fourth quarter of 2009.

Operating Leverage

Companies with structural characteristics that result in margin expansion in excess of sales growth are referred to as having high “operating leverage.”

The operating subsidiaries of Coca-Cola FEMSA and FEMSA Cerveza are engaged, to varying degrees, in capital-intensive activities. The high utilization of the installed capacity of the production facilities results in better fixed cost absorption, as increased output results in higher revenues without additional fixed costs. Absent significant increases in variable costs, gross profit margins will expand when production facilities are operated at higher utilization rates. Alternatively, higher fixed costs will result in lower gross profit margins in periods of lower output.

In addition, the commercial operations of Coca-Cola FEMSA and FEMSA Cerveza are carried out through extensive distribution networks, the principal fixed assets of which are warehouses and trucks. The distribution systems of both Coca-Cola FEMSA and FEMSA Cerveza are designed to handle large volumes of beverages. Fixed costs represent an important proportion of the total distribution expense of both Coca-Cola FEMSA and FEMSA Cerveza. Generally, the higher the volume that passes through the distribution system, the lower the fixed distribution cost as a percentage of the corresponding revenues. As a result, operating margins improve when the distribution capacity is operated at higher utilization rates. Alternatively, periods of decreased utilization because of lower volumes will negatively affect our operating margins.

Critical Accounting Estimates

The preparation of our audited consolidated financial statements requires that we make estimates and assumptions that affect (1) the reported amounts of our assets and liabilities, (2) the disclosure of our contingent liabilities at the date of the financial statements and (3) the reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on our historical experience and on various other reasonable factors that together form the basis for making judgments about the carrying values of our assets and liabilities. Our actual results may differ from these estimates under different assumptions or conditions. We evaluate our estimates and judgments on an on-going basis. Our significant accounting policies are described in note 4 to our audited consolidated financial statements. We believe our most critical accounting policies that imply the application of estimates and/or judgments are the following:

Allowance for doubtful accounts

We determine our allowance for doubtful accounts based on an evaluation of the aging of our receivable portfolio and the economic situation of our clients, as well as on our historical loss rate on receivables and the general economic environment in which we operate. Through 2009, our beer operations represented the most important part of the consolidated allowance for doubtful accounts as a result of the credit that FEMSA Cerveza extended to retailers, on terms and conditions in accordance with industry practices. Coca-Cola FEMSA and FEMSA Comercio sales are generally realized in cash.

Bottles and cases; allowance for bottle breakage

Through December 31, 2007, we recorded returnable bottles and cases at acquisition cost and restated them applying inflation factors. Pursuant to our adoption of NIF B-10, in 2008 we began recording these values at acquisition cost and currently only restate them in circumstances where they form part of our operations in countries with an inflationary economic environment. For FEMSA Cerveza and Coca-Cola FEMSA, breakage is expensed as it is incurred. We compare quarterly bottle breakage expense with the calculated depreciation expense of our returnable bottles and cases in plant and distribution centers, estimating a useful life of five years for glass beer bottles, four years for returnable glass soft drink bottles and plastic cases and 18 months for returnable plastic bottles. These useful lives are determined in accordance with our business experience. The annual calculated depreciation expense has been similar to the annual bottle breakage expense. Whenever we decide to discontinue a particular returnable presentation and retire it from the market, we write off the discontinued presentation through an increase in breakage expense.

Property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives. The estimated useful lives represent the period we expect the assets to remain in service and to generate revenues. We base our estimates on the experience of our technical personnel. Depreciation is computed using the straight line method of accounting.

Until 2007, imported equipment was restated applying the inflation and exchange rates of the country of origin, in accordance with Mexican Financial Reporting Standards in effect at that date. Since 2008, imported equipment is recorded using the exchange rate as of the acquisition date and, if part of an inflationary economic environment, is restated applying the inflation rate of the reporting entity.

We value at fair value long-lived assets for impairment and determine whether impairment exists, by comparing the book value of the assets with their fair value, which is calculated considering their operating conditions and the future cash flows expected to be generated based on their estimated remaining useful life as determined by management.

Valuation of intangible assets and goodwill

We identify all intangible assets associated with business acquisitions. We separate intangible assets between those with a finite useful life and those with an indefinite useful life, in accordance with the period over which we expect to receive the benefits.

The intangible assets of indefinite life are subject to annual impairment tests. As of December 31, 2009, we have recorded intangible assets with indefinite lives, which consist of:

- Coca-Cola FEMSA's rights to produce and distribute *Coca-Cola* trademark products for Ps. 49,520 million primarily as a result of the Panamco and REMIL acquisitions;
- Trademarks and distribution rights for Ps. 11,357 million as a result of the acquisition of the 30% interest of FEMSA Cerveza and distribution rights acquired from a third-party distributor;
- Trademarks and goodwill as a result of the acquisition of Kaiser for Ps. 5,864 million; and
- Other intangible assets with indefinite lives that amounted to Ps. 787 million.

For Mexican Financial Reporting Standards purposes, goodwill is the difference between the price paid and the fair value of the shares and/or net assets acquired that was not assigned directly to an intangible asset. Goodwill is recorded in the functional currency of the subsidiary in which the investment was made and is translated into Mexican pesos applying the closing rate for each period. In countries with inflationary economic environments, this asset is restated applying inflation factors in the country of origin and is then translated into Mexican pesos at the year-end exchange rate. Since 2005, Bulletin B-7 ("Business Acquisitions") establishes that goodwill is no longer subject to amortization, and is instead subject to an annual impairment test.

Impairment of goodwill and intangible assets with indefinite lives

We annually review the carrying value of our goodwill whenever circumstances indicate that the carrying amount of the reporting unit might exceed its implied fair value for long-lived assets. We also review annually the carrying value of our intangible assets with indefinite lives for impairment based on recognized valuation techniques. While we believe that our estimates are reasonable, different assumptions regarding such estimates could materially affect our evaluations.

Following our evaluations during 2009 and up to the date of this annual report, we do not have any information which leads to any impairment of goodwill or intangible assets with indefinite lives. We can give no assurance that our expectations will not change as a result of new information or developments. Future changes in economic or political conditions in any country in which we operate or in the industries in which we participate, however, may cause us to change our current assessment.

Executory contracts

As part of the normal course of business, we frequently invest in the development of our beer distribution channels through a variety of commercial agreements with different retailers in order to generate sales volume. These agreements are considered to be executory contracts and accordingly the costs incurred under these contracts are recognized as performance under the contracts is received.

These agreements require cash disbursements to be made in advance to certain retailers in order to fund activities intended to generate sales volume. These advance cash disbursements are then compensated for as sales

are invoiced. These disbursements are considered to be market-related investments, which are capitalized as other assets. The amortization of amounts capitalized is presented as a reduction of net sales in relation to the volume sold to each retailer. The period of amortization is between three and four years, which is the normal term of the commercial agreements.

We periodically evaluate the carrying value of executory contracts. If the carrying value is considered to be impaired, these assets are written down as appropriate. The accuracy of the carrying value is based on our ability to predict certain key variables such as sales volume, prices and other industry and economic factors. Predicting these key variables involves assumptions based on future events. These assumptions are consistent with our internal projections.

Employee benefits

Our employee benefits, which we used to refer to as labor liabilities, are comprised of pension plan, seniority premium, post-retirement medical services and severance indemnities. The determination of our obligations and expenses for pension and other post-retirement benefits are determined by actuarial calculations and are dependent on our determination of certain assumptions used to estimate such amounts. We evaluate our assumptions at least annually.

In 2008, we adopted NIF D-3 (“Employee Benefits”), which eliminates the recognition of the additional liability resulting from the difference between obligations for accumulated benefits and net projected liability, in addition to making other important changes. On January 1, 2008, our additional liability cancelled was Ps. 1,510 million, of which Ps. 948 million corresponds to intangible assets and Ps. 354 to cumulative other comprehensive income, net of its deferred tax of Ps. 208 million.

Through 2007, our labor costs for past services related to severance indemnities and pension and retirement plans were amortized within the remaining labor life of employees. Beginning in 2008, NIF D-3 establishes a maximum five-year period to amortize the initial balance of the labor costs of past services of pension and retirement plans and the same amortization period for the labor cost of past service of severance indemnities, previously defined by Bulletin D-3 (“Labor Liabilities”) as unrecognized transition obligations and unrecognized prior service costs. As of December 31, 2009, 2008 and 2007, labor costs for past services amounted to Ps. 204 million, Ps. 221 million and Ps. 146 million, respectively; and were recorded within the operating income.

During 2007, actuarial gains and losses related to severance indemnities were amortized to account for the average labor life of our employees. Beginning in 2008, actuarial gains and losses related to severance indemnities are registered under operating income during the year in which they are generated. The balance of unrecognized actuarial gains and losses as of January 1, 2008 was recorded in other expenses and amounted to Ps. 198 million.

In 2007, FEMSA Cerveza approved a plan to allow certain qualifying employees to retire early beginning in 2008. This plan consisted of allowing employees over the age of 55 with 20 years of service to take advantage of early retirement in order to obtain the same pension benefits they would have obtained had they retired at their regular retirement age. In addition, this plan authorized FEMSA Cerveza to make severance payments to certain employees who otherwise would not have met the criteria for eligibility. The plan was intended to improve the efficiency of FEMSA’s Cerveza operating structure. The total financial impact of the plan was Ps. 236 million, from which Ps.125 million was recorded in our consolidated income statement for 2007 as part of other expenses (See note 18 to our audited consolidated financial statements) and Ps. 111 million recorded in 2008 consolidated results.

While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension and other post-retirement obligations and our future expense. The following table is a summary of the three key assumptions to be used in determining 2009 annual labor liability expense, along with the impact on this expense of a 1% change in each assumed rate.

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Assumptions 2009(1)	Nominal Rates 2009(3)	Nominal Rates 2008(3)	Real Rates 2009 and 2008(4)(5)	Impact of Rate Change(2) +1%	Impact of Rate Change(2) -1%
				(in millions of Mexican pesos)	
Mexican and Foreign Subsidiaries:					
Discount rate	8.2%	8.2%	4.5%	Ps. (900)	Ps. 748
Salary increase	5.1%	5.1%	1.5%	502	(515)
Long-term asset return	8.2%	11.3%	4.5%	12	(5)

(1) Calculated using a measurement date as of December 2009.

(2) The impact is not the same for an increase of 1% as for a decrease of 1% because the rates are not linear.

(3) For countries considered non-inflationary economic environments according to Mexican Financial Reporting Standards.

(4) For countries considered inflationary economic environments according to Mexican Financial Reporting Standards.

(5) Assumptions used for 2007 calculations.

Income taxes

As we describe in note 23 to our audited consolidated financial statements, on January 1, 2010, the Mexican tax reform became effective. The most important changes are: an increase in the value added tax rate (IVA) from 15% to 16%, an increase on special tax on production and services from 25% to 26.5% and an increase in the statutory income tax rate from 28% in 2009 to 30% for 2010, 2011 and 2012, and a reduction from 30% to 29% and 28% for 2013 and 2014, respectively. In addition, the Mexican tax reform requires the reversal of the deferred tax recognized from 1999 thru 2004, which will be amortized over the next five years (notes 23D and 23E to our audited consolidated financial statements).

Mexican tax reform effective in 2007 introduced the *Impuesto Empresarial de Tasa Unica* (IETU) that functions similar to an alternative minimum corporate income tax, except that any amounts paid are not creditable against future income tax payments. Mexican taxpayers are now subject to the higher of the IETU or the income tax liability computed under Mexican Income Tax Law. This new tax is calculated on a cash-flow basis and the rates for 2009 and 2010 will be 17.0% and 17.5%, respectively.

Based on our financial projections for our Mexican tax returns, we expect to pay corporate income tax in the future and do not expect to pay IETU, therefore we did not record deferred IETU. As such, the enactment of IETU did not impact our consolidated financial position or results of operations, as it only recognizes deferred income tax.

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We regularly review our deferred taxes for recoverability and/or payment, and establish a valuation allowance based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. If these estimates and related assumptions change in the future, we may be required to record additional valuation allowances against our deferred taxes resulting in an impact in net income.

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

Indirect tax and legal contingencies

We are subject to various claims and contingencies related to indirect tax and legal proceedings as described in note 24 to our audited consolidated financial statements. 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 liability and/or discloses the relevant circumstances, as appropriate. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss.

Derivative Financial Instruments

We are required to measure all derivative financial instruments at fair value and recognize them in the balance sheet as an asset or liability. Changes in the fair value of derivative financial instruments are recorded each year in net income or as a component of cumulative other comprehensive income, based on the type of hedging instrument and the ineffectiveness of the hedge. 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. We base our forward price curves upon market price quotations.

New Accounting Pronouncements

Under Mexican Financial Reporting Standards (Normas de Información Financiera, or NIF)

During 2009, the following new accounting standards were issued under Mexican Financial Reporting Standards, which we are required to implement as described below. Except as otherwise noted, we will adopt these standards when they become effective. We are in the process of determining the impact of these new accounting standards on our financial reporting standards and results of operations, but we do not anticipate any significant impact except as may be described below.

NIF B-5, "Financial Information by Segment"

NIF B-5 includes definitions and criteria for reporting financial information by operating segment. NIF B-5 establishes that an operating segment shall meet the following criteria: (i) the segment engages in business activities from which it earns or is in the process of obtaining revenues, and incurs related costs and expenses; (ii) the operating results are reviewed regularly by the main authority of the entity's decision maker; and (iii) specific financial information is available. NIF B-5 requires disclosures related to operating segments subject to reporting, including details of earnings, assets and liabilities, reconciliations, information about products and services, and geographical areas. NIF B-5 is effective beginning on January 1, 2011, and this guidance shall be applied retrospectively for comparative purposes.

NIF B-9, "Interim Financial Reporting"

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

NIF C-1, "Cash and Cash Equivalents"

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

since that date, causing an increase in the cash balances reported as a result of the treatment of presentation of restricted cash.

New Accounting Pronouncements under U.S. Generally Accepted Accounting Principles (GAAP)

During 2009, the following new accounting standard was issued under U.S. GAAP, which we are required to implement as described below. We will adopt this standard as of January 1, 2010. We are in the process of determining the impact of this new accounting standard on our financial reporting standards and results of operations, but we do not anticipate any significant impact.

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

The objective of issuing amendments to ASC 810 is to improve financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address (i) the effects on certain provisions of ASC 810 "Consolidation" as a result of the elimination of the qualifying special-purpose entity concept in ASC 860-10-65, and (ii) constituent concerns about the application of certain key provisions of ASC 810, including those in which the accounting and disclosures under ASC 810 do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This Statement retains the scope of ASC 810 with the addition of entities previously considered qualifying special-purpose entities, as the concept of these entities was eliminated in ASC 860-10-65. ASC 810 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. Earlier application is prohibited.

Operating Results

The following table sets forth our consolidated income statement under Mexican Financial Reporting Standards for the years ended December 31, 2009, 2008 and 2007:

	Year Ended December 31,			
	2009	2009	2008	2007
	(in millions of U.S. dollars and Mexican pesos)			
Net sales	$15,018	Ps. 196,103	Ps. 167,171	Ps. 147,069
Other operating revenues	72	930	851	487
Total revenues	15,090	197,033	168,022	147,556
Cost of sales	8,133	106,195	90,399	79,739
Gross profit	6,957	90,838	77,623	67,817
Operating expenses:				
Administrative	851	11,111	9,531	9,121
Selling	4,037	52,715	45,408	38,960
Total operating expenses	4,888	63,826	54,939	48,081
Income from operations	2,069	27,012	22,684	19,736
Other expenses, net	(269)	(3,506)	(2,374)	(1,297)
Interest expense	(398)	(5,197)	(4,930)	(4,721)
Interest income	43	565	598	769
Interest expense, net	(355)	(4,632)	(4,332)	(3,952)
Foreign exchange (loss) gain, net	(30)	(396)	(1,694)	691
Gain on monetary position, net	37	487	657	1,639
Market value gain (loss) on ineffective portion of derivative financial instrument	2	25	(1,456)	69
Comprehensive financing result	(346)	(4,516)	(6,825)	(1,553)
Income before income taxes	1,454	18,990	13,485	16,886
Income taxes	299	3,908	4,207	4,950
Consolidated net income	1,155	15,082	Ps. 9,278	Ps. 11,936
Net controlling interest income	759	9,908	6,708	8,511
Net noncontrolling interest income	396	5,174	2,570	3,425
Consolidated net income	1,155	15,082	Ps. 9,278	Ps. 11,936

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The following table sets forth certain operating results by reportable segment under Mexican Financial Reporting Standards for each of our segments for the years ended December 31, 2009, 2008 and 2007:

	Year Ended December 31				
				Percentage Growth	
	2009	2008	2007	2009 vs. 2008	2008 vs. 2007
	(in millions of Mexican pesos at December 31, 2009, except for percentages)				
Net sales					
Coca-Cola FEMSA	Ps. 102,229	Ps. 82,468	Ps. 68,969	24.0%	19.6%
FEMSA Cerveza	45,899	41,966	39,284	9.4%	6.8%
FEMSA Comercio	53,549	47,146	42,103	13.6%	12.0%
Total revenues					
Coca-Cola FEMSA	102,767	82,976	69,251	23.9%	19.8%
FEMSA Cerveza	46,336	42,385	39,566	9.3%	7.1%
FEMSA Comercio	53,549	47,146	42,103	13.6%	12.0%
Cost of sales					
Coca-Cola FEMSA	54,952	43,895	35,876	25.2%	22.4%
FEMSA Cerveza	22,418	19,540	17,833	14.7%	9.6%
FEMSA Comercio	35,825	32,565	30,301	10.0%	7.5%
Gross profit					
Coca-Cola FEMSA	47,815	39,081	33,375	22.3%	17.1%
FEMSA Cerveza	23,918	22,845	21,733	4.7%	5.1%
FEMSA Comercio	17,724	14,581	11,802	21.6%	23.5%
Income from operations					
Coca-Cola FEMSA	15,835	13,695	11,486	15.6%	19.2%
FEMSA Cerveza	5,894	5,394	5,497	9.3%	(1.9)%
FEMSA Comercio	4,457	3,077	2,320	44.8%	32.6%
Depreciation[(1)]					
Coca-Cola FEMSA	3,473	3,036	2,637	14.4%	15.1%
FEMSA Cerveza	1,927	1,748	1,637	10.2%	6.8%
FEMSA Comercio	819	663	543	23.5%	22.1%
Gross margin[(2)]					
Coca-Cola FEMSA	46.5%	47.1%	48.2%	(0.6) p.p.[(3)]	(1.1) p.p.[(3)]
FEMSA Cerveza	51.6%	53.9%	54.9%	(2.3) p.p.	(1.0) p.p.
FEMSA Comercio	33.1%	30.9%	28.0%	2.2 p.p.	2.9 p.p.
Operating margin[(4)]					
Coca-Cola FEMSA	15.4%	16.5%	16.6%	(1.1) p.p.	(0.1) p.p.
FEMSA Cerveza	12.7%	12.7%	13.9%	0.0 p.p.	(1.2) p.p.
FEMSA Comercio	8.3%	6.5%	5.5%	1.8 p.p.	1.0 p.p.

(1) Includes breakage of bottles.
(2) Gross margin is calculated with reference to total revenues.
(3) As used herein, p.p. refers to a percentage point increase (or decrease), contrasted with a straight percentage increase (or decrease).
(4) Operating margin is calculated with reference to total revenues.

Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

FEMSA Consolidated

Total Revenues

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

Gross Profit

Consolidated cost of sales increased 17.5% to Ps. 106,195 million in 2009 compared to Ps. 90,399 million in 2008. Approximately 70% of this increase came from Coca-Cola FEMSA as a result of cost pressures due to (i) the devaluation of local currencies in Coca-Cola FEMSA's main operations as applied to its dollar-denominated raw material costs, (ii) the higher cost of sweetener across its operations, (iii) the integration of REMIL and (iv) the third and final stage of the scheduled Coca-Cola Company concentrate price increase announced in 2006 in Mexico.

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

Income from Operations

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

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

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

We incur various expenses related to the distribution of our products that are accounted for in our selling expenses. During 2009 and 2008, our distribution costs amounted to Ps. 15,080 million and Ps. 12,135 million, respectively.

Consolidated income from operations increased 19.1% to Ps. 27,012 million in 2009 as compared to Ps. 22,684 million in 2008. This increase was driven by the results of Coca-Cola FEMSA and FEMSA Comercio, which accounted for 81% of the increase, and FEMSA Cerveza accounted for the balance. Consolidated operating margin

increased 0.2 percentage points from 2008 levels, to 13.7% as a percentage of 2009 consolidated total revenues. Gross margin improvement at FEMSA Comercio, combined with expense containment initiatives across our beer operations, offset raw material pressures at the beverages operations.

Some of our subsidiaries pay management fees to us in consideration for corporate services we provide to them. These fees are recorded as administrative expenses in the respective business segments. Our subsidiaries' payments of management fees are eliminated in consolidation and, therefore, have no effect on our consolidated operating expenses.

Coca-Cola FEMSA

Total Revenues

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

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

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

Gross Profit

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

Income from Operations

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

Income from operations increased 15.6% to Ps. 15,835 million in 2009, as compared to Ps. 13,695 million in 2008. Increases in operating income from the Latincentro division, including Venezuela, accounted for approximately 50% of this growth, while operating income growth in the Mercosur division accounted for more than 40% of incremental operating income. Operating margin was 15.4% in 2009, a decline of 110 basis points as compared to 2008.

FEMSA Cerveza

Total Revenues

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

Mexico sales volume decreased 1.7% to 26.929 million hectoliters in 2009 in the context of extreme economic headwinds, particularly affecting our key territories. The *Tecate* family and *Indio* brands once again delivered strong growth. Mexico price per hectoliter increased 6.4% to Ps. 1,135 in 2009, as a result of price increases implemented during the second quarter of 2009, in addition to the increases carried out late in the third quarter of 2008.

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

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

Gross Profit

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

Income from Operations

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

FEMSA Comercio

Total Revenues

FEMSA Comercio total revenues increased 13.6% to Ps. 53,549 million in 2009 compared to Ps. 47,146 million in 2008, primarily as a result of the opening of 960 net new stores during 2009, together with an average increase of same-store sales of 1.3%. As of December 31, 2009, there were a total of 7,329 stores in Mexico and five stores in Colombia. FEMSA Comercio same-store sales increased an average of 1.3% compared to 2008, driven by a 3.3% increase in store traffic, which more than offset a slight reduction of 1.6% in average ticket. As was the case in 2008, the same-store sales, ticket and traffic dynamics continued to reflect the effects from the continued mix shift from physical prepaid wireless air-time cards to the sale of electronic air-time, for which only the margin is recorded, rather than the full amount of the electronic recharge. As 2009 progressed, this effect diminished.

Gross Profit

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

Income from Operations

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

FEMSA Consolidated—Net Income

Other Expenses

Other expenses include employee profit sharing, which we refer to as PTU, participation in affiliated companies, impairment of long-lived assets, contingencies, as well as their subsequent interest and penalties, severance payments derived from restructuring programs and all other non-recurring expenses related to activities different from the main activities of the Company and that are not recognized as part of the comprehensive financing result. During 2009, other expenses increased to Ps. 3,506 million from Ps. 2,374 million in 2008, driven mainly by the one-time effect of the tax amnesty program offered by the Brazilian tax authorities and certain labor obligations provisions related to employee vacations, as well as by increases in PTU.

Comprehensive Financing Result

Net interest expense reached Ps. 4,632 million in 2009 compared with Ps. 4,332 million in 2008. Foreign exchange recorded a loss of Ps. 396 million in 2009 from a loss of Ps. 1,694 million in 2008, reflecting an important improvement due to the significant loss reported in 2008, driven by lower foreign exchange losses in 2009 due to the lower depreciation of local currencies in our markets against the U.S. dollar. Additionally, the monetary position represented a lower gain of Ps. 487 million in 2009 compared to Ps. 657 million in 2008, due to a lower liability monetary position in 2009 (monetary liabilities less monetary assets) and a lower inflation rate in countries in which inflationary adjustments are applied.

The market value of the ineffective portion of our derivative financial instruments reflects a shift to a gain of Ps. 25 million in 2009 from a loss of Ps. 1,456 million in 2008, reflecting an improvement due to the significant loss reported in 2008, driven by losses in certain derivative instruments that do not meet hedging criteria for accounting purposes, due to mark-to-market recognition in our U.S. dollar cross-swap.

Comprehensive financing result decreased 33.8% in 2009 to Ps. 4,516 million, reflecting an important improvement due to the significant loss reported in 2008, driven by lower foreign exchange losses in 2009 due to the lower depreciation of local currencies in our markets against the U.S. dollar and a shift to gains in certain derivative instruments during the year, as mentioned above.

Taxes

Our accounting provision for income taxes in 2009 was Ps. 5,973 million excluding a one-time benefit of Ps. 2,066 million under the tax amnesty program offered by the Brazilian tax authorities in 2009 due to the utilization of tax losses which we had reserved but we did not previously have sufficient certainty of its recoverability, resulting in a net accounting provision for income taxes in 2009 of Ps. 3,908 million, compared to Ps. 4,207 million in 2008, resulting in an effective tax rate of 20.6% in 2009 as compared with 31.2% in 2008.

Net Income

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

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

Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Beginning on January 1, 2008, in accordance with changes to NIF B-10 under the Mexican Financial Reporting Standards, we discontinued the use of inflation accounting for our subsidiaries that operate in "non-inflationary" countries where cumulative inflation for the three preceding years was less than 26%. For comparison purposes, the figures prior to 2008 have been restated in Mexican pesos with purchasing power as of December 31, 2007, taking into account local inflation for each country with reference to the consumer price index. Local currencies have been converted into Mexican pesos using official exchange rates published by the local central bank of each country. See "Item 3. Key Information—Selected Consolidated Financial Data."

FEMSA Consolidated

Total Revenues

Our consolidated total revenues increased 13.9% to Ps. 168,022 million in 2008 compared to Ps. 147,556 million in 2007. All of our operations—soft drinks, beer and retail—contributed positively to this revenue growth. Coca-Cola FEMSA's total revenues increased 19.8% to Ps. 82,976 million, driven by a 12.5% higher average price per unit case and a volume growth of 5.8% as compared to 2007, from 2,120.8 million unit cases in 2007 to 2,242.8 million unit cases in 2008. FEMSA Comercio's revenues increased 12.0% to Ps. 47,146 million. The net opening of 811 new stores combined with stable same store sales drove this revenue growth. Total revenues at FEMSA Cerveza increased 7.1% compared to 2007 to Ps. 42,385 million, mainly driven by a higher average price per hectoliter, primarily in Mexico, and volume increases in our three main markets, Mexico, the U.S., and Brazil.

Gross Profit

Consolidated cost of sales increased 13.4% to Ps. 90,399 million in 2008 compared to Ps. 79,739 million in 2007. Approximately 75.2% of this increase came from Coca-Cola FEMSA as a result of cost pressures from the depreciation of local currencies against the U.S. dollar in its main operations as applied to its dollar-denominated raw material costs, as well its integration of the Jugos del Valle line of business in Mexico, which carries a higher cost of sales. FEMSA Comercio accounted for 21.2% of this increase as a result of its rapid pace of store expansion.

Consolidated gross profit increased 14.5% to Ps. 77,623 million in 2008 compared to Ps. 67,817 million in 2007 due to gross profit increases in all of our operations. Gross margin improved by 0.2 percentage points as compared to 2007, from 46.0% of consolidated total revenues in 2007 to 46.2% in 2008. Gross margin improvement at FEMSA Comercio more than offset raw material prices pressure at FEMSA Cerveza and Coca-Cola FEMSA, and helped offset the depreciation of local currencies against the U.S. dollar as applied to our U.S. dollar-denominated costs, resulting in a net overall gross margin improvement.

Income from Operations

Consolidated operating expenses increased 14.3% to Ps. 54,939 million in 2008 compared to Ps. 48,081 million in 2007. Approximately 50% of this increase resulted from additional operating expenses at Coca-Cola FEMSA in connection with the integration of new operations in Brazil, together with incremental expenses in its Latincentro division due to higher labor costs. FEMSA Comercio accounted for 30% of the increase, resulting from the accelerated store expansion. FEMSA Cerveza accounted for the balance. As a percentage of total revenues, consolidated operating expenses remained stable at 32.7% in 2008 compared with 32.6% in 2007.

Consolidated administrative expenses increased 4.5% to Ps. 9,531 million in 2008 compared to Ps. 9,121 million in 2007. However, as a percentage of total revenues, consolidated administrative expenses decreased 0.5 percentage points to 5.7% in 2008 compared with 6.2% in 2007, due to operating leverage driven by higher revenues achieved in all of our operations.

Consolidated selling expenses increased 16.6% to Ps. 45,408 million in 2008 as compared to Ps. 38,960 million in 2007. Approximately 49% of this increase came from Coca-Cola FEMSA, while 30% came from FEMSA Comercio and the remainder of the balance from FEMSA Cerveza. As a percentage of total revenues, selling expenses increased 0.6 percentage points to 27.0% in 2008 compared to 26.4% in 2007.

We incur various expenses related to the distribution of our products that are accounted for in our selling expenses. During 2008 and 2007, our distribution costs amounted to Ps. 12,135 million and Ps. 10,601 million, respectively.

Consolidated income from operations increased 14.9% to Ps. 22,684 million in 2008 compared to Ps. 19,736 million in 2007, driven by the results at Coca-Cola FEMSA and FEMSA Comercio, which more than offset the decrease at FEMSA Cerveza. Consolidated operating margin increased 0.1 percentage points from 2007 levels to 13.5% as a percentage of 2008 consolidated total revenues. Operating margin improvements at FEMSA Comercio combined with a stable margin at Coca-Cola FEMSA, offset the margin pressure at FEMSA Cerveza, which was driven by higher raw material costs and operating expenses.

Some of our subsidiaries pay management fees to us in consideration for corporate services we provide to them. These fees are recorded as administrative expenses in the respective business segments. Our subsidiaries' payments of management fees are eliminated in consolidation and, therefore, have no effect on our consolidated operating expenses.

Coca-Cola FEMSA

Total Revenues

Coca-Cola FEMSA total revenues increased 19.8% to Ps. 82,976 million in 2008, compared to Ps. 69,251 million in 2007, as a result of growth in all of its divisions. Growth in Coca-Cola FEMSA's Latincentro division was mainly driven by incremental pricing, growth in its Mexico division was mainly driven by incremental volume and growth in its Mercosur division was mainly driven by the integration of REMIL. The Latincentro division, including Venezuela, accounted for more than 45% of Coca-Cola FEMSA's revenue growth. The Mexico and Mercosur divisions, excluding the effect of the REMIL acquisition in Brazil, represented close to 30% of incremental revenue growth. REMIL contributed more than 20% of incremental revenues and a positive net foreign exchange gain, derived from translating local currencies from the countries in which Coca-Cola FEMSA operates into Mexican pesos (which we refer to as a "translation effect") represented most of the balance.

Coca-Cola FEMSA's average price per unit case increased 12.5%, reaching Ps. 35.93 in 2008 as compared to Ps. 31.95 in 2007. Price increases implemented in most of Coca-Cola FEMSA's territories and the addition of the Jugos del Valle line of business, which carries higher average prices per unit case, accounted for this growth.

Coca-Cola FEMSA's total sales volume reached 2,242.8 million unit cases in 2008, compared to 2,120.8 million unit cases in 2007, an increase of 5.8%. Excluding REMIL, total sales volume increased 2.6% to reach 2,176.7 million unit cases. Coca-Cola FEMSA's water business, mainly driven by the bulk water business in Mexico, and still beverages, mainly driven by the introduction of Jugos del Valle and the new products derived from that line of business, accounted for approximately 80% of these increases in sales volume. Sparkling beverage sales, mainly driven by the *Coca-Cola* brand and the strong performance of *Coca-Cola Zero* outside of Mexico represented the balance.

Gross Profit

Coca-Cola FEMSA cost of sales increased 22.4% to Ps. 43,895 million in 2008 compared to Ps. 35,876 million in 2007, as a result of cost pressures related to the devaluation of local currencies in most of Coca-Cola FEMSA's operations as applied to its U.S. dollar-denominated raw material costs. The integration of REMIL and lower profitability from the Jugos del Valle line of business in Mexico, which was expected in 2008 because of the Jugos del Valle agreement to retain profits at the joint venture company in 2008 for reinvestment, also contributed to this increase. Gross profit increased 17.1% to Ps. 39,081 million in 2008 compared to 2007, driven by a 40.8% increase in its Mercosur division, a 27.6% increase in its Latincentro division, including Venezuela, and a 1.8% increase in its Mexico division. In spite of this increase in gross profit, gross margin decreased 1.1 percentage points to 47.1% in 2008.

Cost of sales includes raw materials, in particular concentrate and sweeteners, packaging materials, depreciation expenses attributable to production facilities, wages and other employment expenses associated with the labor force employed at production facilities, as well as certain overhead expenses. Concentrate prices are determined as a percentage of the retail price of products in the local currency, net of applicable taxes. Packaging materials, mainly PET and aluminum, and high fructose corn syrup, used as sweetener in some countries, are denominated in U.S. dollars.

Income from operations

Operating expenses in absolute terms increased 16.0% compared to 2007 to Ps. 25,386 million, mainly as a result of salary increases in excess of inflation in some of the countries in which Coca-Cola FEMSA operates, and higher operating expenses in the Mercosur division, mainly due to the integration of REMIL, that were partially offset by lower marketing investment in some of its operations. As a percentage of sales, operating expenses declined from 31.6% in 2007 to 30.6% in 2008, as a result of higher revenue growth that compensated for higher operating expenses.

Income from operations increased 19.2% to Ps. 13,695 million in 2008, as compared to Ps. 11,486 million in 2007. Coca-Cola FEMSA's Mercosur and Latincentro divisions, including Venezuela, each accounted for more than 40% of this increase. Operating margin remained almost flat at 16.5% in 2008 compared to 16.6% in 2007.

FEMSA Cerveza

Total Revenues

FEMSA Cerveza total revenues increased 7.1% to Ps. 42,385 million in 2008 as compared to Ps. 39,566 million in 2007. Beer sales increased 7.0% to Ps. 39,014 million in 2008 compared to Ps. 36,457 million in 2007 and represented 92.0% of total revenues in 2008. Sales from FEMSA Cerveza's packaging division accounted for 8% of total revenues. Higher average prices per hectoliter accounted for approximately 55 percent of total revenue growth, while incremental volumes were approximately 36 percent. The balance came from other revenues. Mexico beer revenues represented 68.9% of total revenues in 2008 compared to 68.8% in 2007. Brazil beer revenues represented 14.6% of total revenues in 2008, down slightly from 14.9% in 2007. Export beer revenues remained almost flat at 8.5% of total revenues in 2008, compared to 8.4% in 2007.

Mexico sales volume increased 1.6% to 27.393 million hectoliters in 2008. This increase was mainly driven by the *Tecate* and *Indio* brand families throughout the country together with the successful introduction of line extensions such as *Sol Limón y Sal*. Mexico price per hectoliter increased 5.7% to Ps. 1,066.8 in 2008, as a result of incremental volumes brought under FEMSA Cerveza's own distribution network, which for the year stands at 90% of its total domestic volume. Price increases implemented during the year also contributed to this effect.

Brazil sales volume increased 3.9% to 10.181 million hectoliters in 2008 compared to 9.795 million hectoliters in 2007, outpacing the growth of the Brazilian beer industry. During the year, FEMSA Cerveza's *Sol*, *Kaiser* and *Bavaria* brands accounted for most of the growth. Average price per hectoliter in Brazil increased 0.8% over 2007 in Mexican peso terms to Ps. 607.2 in 2008. In Brazilian real terms, average price per hectoliter increased 2.0% percent, reflecting price increases implemented late in the year.

Export sales volumes increased 9.3% in 2008 compared to 2007 reaching 3.479 million hectoliters compared to 3.183 million hectoliters in 2007, primarily driven by increased demand for FEMSA Cerveza's *Dos Equis* and *Tecate* brands in the United States and for its *Sol* brand in other key markets. Export price per hectoliter in Mexican pesos decreased 1.1% compared to 2007 to Ps. 1,037.0 in 2008. In U.S. dollar terms, price per hectoliter improved by 0.2% to US$94.0, due to moderate price increases implemented during the year, which more than offset changes in packaging mix.

Gross Profit

Cost of sales increased 9.6% to Ps. 19,540 million in 2008 compared to Ps. 17,833 million in 2007, ahead of the 7.1% total revenue growth in the year. This increase was mainly driven by higher raw material costs, particularly for aluminum and grains, the Mexican peso depreciation of 25% as applied to its U.S. dollar-denominated costs and to a lesser extent the 2.8% total volume growth, which more than offset operating efficiencies achieved during the year. Gross profit reached Ps. 22,845 million in 2008, an increase of 5.1% as compared to Ps. 21,733 million in 2007. Gross margin decreased 1.0 percentage points from 54.9% in 2007 to 53.9% in 2008.

Income from operations

Operating expenses increased 7.5% to Ps. 17,451 million in 2008 compared to Ps. 16,236 million in 2007. However, as percentage of total revenues, operating expenses remained almost flat at 41.2% as compared to 41.0% in 2007. Administrative expenses decreased 4.7% to Ps. 4,093 million in 2008 compared to Ps. 4,295 million in 2007 due to expense rationalization together with a decline in capitalized investments in the ERP system, which have been fully amortized. Selling expenses increased 11.9% to Ps. 13,358 million in 2008 as compared to Ps. 11,941 million in 2007, mainly due to continuous marketing investment in channel development and brand-building activities behind *Sol* and *Tecate* in Mexico as well as for *Dos Equis* and *Tecate* in the United States and for *Kaiser*

and *Sol* in Brazil. The increase also resulted from incremental volumes that we brought under FEMSA Cerveza's direct distribution network. Income from operations decreased 1.9% to Ps. 5,394 million in 2008, to 12.7% of consolidated total revenues, reflecting mainly the decline in gross margin.

FEMSA Comercio

Total Revenues

FEMSA Comercio total revenues increased 12.0% to Ps. 47,146 million in 2008 compared to Ps. 42,103 million in 2007, primarily as a result of the opening of 811 net new stores during 2008 together with stable same-store sales. As of December 31, 2008, there were a total of 6,374 stores in Mexico. FEMSA Comercio same-store sales were virtually flat, up an average of 0.4% compared to 2007. A 13.0% increase in store traffic, which was driven by a broader mix of products and services, more than offset a decrease of 11.2% in average customer ticket. During the year, store traffic and ticket dynamics reflect the mix shift from prepaid wireless phone cards to the sale of electronic air-time, for which only the margin is recorded, not the full amount of revenues coming from the air-time recharge.

Gross Profit

Cost of sales increased 7.5% to Ps. 32,565 million in 2008, below total revenue growth, compared with Ps. 30,301 million in 2007. As a result, gross profit reached Ps. 14,581 million in 2008, which represented a 23.5% increase from 2007. Gross margin expanded 2.9 percentage points to reach 30.9% of total revenues. A significant portion of this improvement resulted from the shift towards electronic air-time recharges as described above. The balance came from growth in higher-margin categories such as ready-to-drink coffee and alternative beverages, among others, as well as better pricing strategies and improved commercial terms with supplier partners.

Income from operations

Operating expenses increased 21.3% to Ps. 11,504 million in 2008 compared with Ps. 9,482 million in 2007. Administrative expenses increased 10.9% to Ps. 833 million in 2008 compared with Ps. 751 million in 2007, however, as percentage of sales remained stable at 1.8%. Selling expenses increased 22.2% to Ps. 10,671 in 2008 compared with Ps. 8,731 million in 2007, mainly driven by higher energy costs at the store level and expenses related to the strengthening of FEMSA Comercio's organizational structure, in accordance with management plans. Income from operations increased 32.6% to Ps. 3,077 million in 2008 compared with Ps. 2,320 million in 2007, resulting in an operating margin expansion of 1.0 percentage point to 6.5% as a percentage of total revenues for the year, compared with 5.5% in 2007. This all-time high operating margin was driven by gross margin expansion which more than offset the increase in operating expenses.

FEMSA Consolidated—Net Income

Other Expenses

Other expenses include PTU, impairment of long-lived assets, contingencies, severance payments derived from restructuring programs, participation in affiliated companies, gains or losses on sales of fixed assets, and all other non-recurring expenses related to activities, other than our main activities, that are not recognized as part of the Comprehensive financing result. During 2008, other expenses increased to Ps. 2,374 million from Ps. 1,297 million in 2007, driven mainly by increases in employee profit sharing expenses and in impairment charges of long-lived assets, together with strategic restructuring programs mainly at Coca-Cola FEMSA during 2008.

Comprehensive Financing Result

Net interest expense reached Ps. 4,332 million in 2008 compared with Ps. 3,952 million in 2007, mainly driven by higher interest expense derived from an increase in our average total debt rate during the year.

Foreign exchange recorded a loss of Ps. 1,694 million in 2008 from a gain of Ps. 691 million in 2007, due to the depreciation of the local currencies in our markets against the U.S. dollar, as applied to our U.S. dollar-denominated liability position.

Monetary position amounted to a lower gain of Ps. 657 million in 2008 compared to Ps. 1,639 million in 2007, reflecting changes in Mexican Financial Reporting Standards, as inflationary adjustments are no longer applied to the vast majority of our liability positions.

The market value of the ineffective portion of our derivative financial instruments reflects a shift to a loss of Ps. 1,456 million in 2008 from a gain of Ps. 69 million in 2007, driven by the recognition of mark-to-market losses in our U.S. dollar cross currency swaps and to a lesser extent, the unwinding of certain commodity hedges that do not meet hedging criteria for accounting purposes.

Taxes

The accounting provision for income taxes in 2008 was Ps. 4,207 million compared to Ps. 4,950 million in 2007, resulting in an effective tax rate of 31.2% in 2008 compared with 29.3% in 2007.

Net Income

Net income decreased 22.3% to Ps. 9,278 million in 2008 compared to Ps. 11,936 million in 2007. This decline resulted from our higher comprehensive financing result due to the factors mentioned above, which more than offset operating income growth.

Net controlling interest income amounted to Ps. 6,708 million in 2008 compared to Ps. 8,511 million in 2007, a decline of 21.2%. Net controlling income in 2008 per one FEMSA Unit was Ps. 1.87 ($1.36 per ADS).

Liquidity and Capital Resources

Liquidity

Each of our sub-holding companies generally finances its operational and capital requirements on an independent basis. As of December 31, 2009, 68.2% of our outstanding consolidated total indebtedness was at the level of our sub-holding companies. This structure is attributable, in part, to the inclusion of third parties in the capital structure of Coca-Cola FEMSA. Currently, we expect to continue to finance our operations and capital requirements primarily at the level of our sub-holding companies. Nonetheless, we may decide to incur indebtedness at our holding company in the future to finance the operations and capital requirements of our subsidiaries or significant acquisitions, investments or capital expenditures. As a holding company, we depend on dividends and other distributions from our subsidiaries to service our indebtedness.

We continuously evaluate 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 principal source of liquidity of each sub-holding company has generally been cash generated from operations. We have traditionally been able to rely on cash generated from operations because a significant majority of the sales of Coca-Cola FEMSA, FEMSA Cerveza 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. Our principal use of cash has generally been for capital expenditure programs, debt repayment and dividend payments.

In 2008, we adopted NIF B-2 (“Statement of Cash Flows”) pursuant to which we present cash inflows and outflows in nominal currency for the year ended December 31, 2008. NIF B-2 replaces the statement of changes in financial position, which we still present for the year ended December 31, 2007, and which includes inflation effects and unrealized foreign exchange effects. The application of NIF B-2 is prospective, and therefore the cash flow

statement for the years ended December 31, 2009 and 2008, is not comparable to the statements of changes in financial position for the year ended December 31, 2007.

The following is a summary of the principal uses of cash for the years ended December 31, 2009 and 2008, from our consolidated statement of cash flows:

Principal Sources and Uses of Cash
Years ended December 31, 2009 and 2008
(in millions of Mexican pesos)

	2009	2008
Net cash flows provided by operating activities	Ps. 30,907	Ps. 23,064
Net cash flows used in investing activities[1]	(15,834)	(18,060)
Net cash flows used in financing activities[2]	(7,711)	(6,160)
Dividends paid	(2,255)	(2,065)

(1) Includes property, plant and equipment, investment in shares and other assets.

(2) Includes dividends declared and paid.

The following table summarizes the sources and uses of cash for the year in the period ended December 31, 2007, from our consolidated statements of changes in financial position:

Principal Sources and Uses of Cash
Year ended December 31, 2007[1]
(in millions of Mexican pesos)

	2007
Net resources generated by operating activities	Ps. 18,022
Net resources used in investing activities[2]	(12,437)
Net resources used in financing activities[3]	(3,901)
Dividends declared and paid	(1,909)

(1) Expressed in millions of Mexican pesos as of December 31, 2007.

(2) Includes property, plant and equipment, investment in shares and other assets.

(3) Includes dividends declared and paid.

Our 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 our 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 our businesses may affect our ability to obtain short-term and long-term credit or to refinance existing indebtedness on terms satisfactory to us.

We have financed significant acquisitions, principally Coca-Cola FEMSA's acquisition of Coca-Cola Buenos Aires in 1994 and its acquisition of Panamco in May 2003 and our acquisition of the 30% interest in FEMSA Cerveza owned by affiliates of InBev in August 2004, capital expenditures and other capital requirements that could not be financed with cash from operations by incurring long-term indebtedness and through the issuance of equity.

Our consolidated total indebtedness as of December 31, 2009, was Ps. 43,663 million compared to Ps. 43,858 million as of December 31, 2008. Short-term debt (including maturities of long-term debt) and long-term debt were Ps. 8,853 million and Ps. 34,810 million, respectively, as of December 31, 2009, as compared to Ps. 11,648 million and Ps. 32,210 million, respectively, as of December 31, 2008. Cash, cash equivalents and

financial marketable securities were Ps. 17,636 million as of December 31, 2009, as compared to Ps. 9,110 million as of December 31, 2008.

We believe that our sources of liquidity as of December 31, 2009, were adequate for the conduct of our sub-holding companies' businesses and that we will have sufficient funds available to meet our expenditure demands and financing needs in 2010 and in the following years.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2009.

	Maturity				
	Less than 1 year	1 - 3 years	3 - 5 years	In excess of 5 years	Total
	(in millions of Mexican pesos)				
Long-Term Debt[1]					
Mexican pesos	Ps. 4,931	Ps. 18,217	Ps. 7,158	Ps. 5,789	36,095
U.S. dollars	95	985	2,092	—	3,172
Argentine pesos	—	69	—	—	69
Capital Leases					
U.S. dollars	11	4	—	—	15
Interest payments[2]					
Mexican pesos	1,981	2,712	685	325	5,703
U.S. dollars	42	70	9	—	121
Argentine pesos	14	10	—	—	24
Interest rate swaps and cross currency swaps[3]					
Mexican pesos	661	1,136	369	321	2,487
U.S. dollars	22	50	4	—	76
Unhedged cross currency swaps	—	248	107	—	355
Operating leases					
Mexican pesos	1,607	2,932	2,544	6,182	13,265
U.S. dollars	106	89	27	—	222
Brazilian reais	151	259	43	16	469
Commodity price contracts					
U.S. dollars	2,767	2,260	172	—	5,199
Purchase obligations	72	—	—	—	72
Expected benefits to be paid for pension plans, seniority premiums, post-retirement medical benefits and severance indemnities	663	1,062	1,075	2,895	5,695
Other long-term liabilities[4]	464	1,316	121	7,486	9,537

(1) Includes effect of cross currency swap, pursuant to which US$200 million in U.S. dollar denominated long-term debt is swapped for Mexican pesos in the amount of Ps. 2,115 million.

(2) Interest was calculated using long-term debt as of and interest rate amounts in effect on December 31, 2009 without considering interest rate swaps agreements. The debt and applicable interest rates in effect are shown in note 17 to our audited consolidated financial statements. Liabilities denominated in U.S. dollars were translated to Mexican pesos at an exchange rate of Ps. 13.0587 per U.S. dollar, the exchange rate quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2009.

(3) Reflects the amount of future payments that we would be required to make. The amounts were calculated by applying the difference between the interest rate swaps and cross currency swaps and the nominal interest rates contracted to long-term debt as of December 31, 2009, and the market value of the unhedged cross currency swaps.

(4) Other long-term liabilities includes contingent liabilities and others. Other long-term liabilities additionally reflects those liabilities whose maturity date is undefined and depends on a series of circumstances out of our control, therefore these liabilities have been considered to have a maturity of more than five years.

As of December 31, 2009, Ps. 8,853 million of our total consolidated indebtedness was short-term debt (including maturities of long-term debt).

As of December 31, 2009, our consolidated average cost of borrowing, after giving effect to the cross currency and interest rate swaps, was approximately 7.8%, a decrease of 1.6 percentage points compared to 9.4% in 2008. As of December 31, 2009, after giving effect to cross currency swaps, 86.9% of our total consolidated indebtedness was denominated and payable in Mexican pesos, 7.4% in U.S. dollars, 1.1% in Colombian pesos, 2.9% in Argentine pesos, and the remaining 1.7% in Venezuelan bolívares fuertes.

Overview of Debt Instruments

The following table shows the allocations of total debt of our company as of December 31, 2009:

	Total Debt Profile of the Company (in millions of Mexican pesos)				
	FEMSA and others	Coca-Cola FEMSA	FEMSA Cerveza	FEMSA Comercio	Total Debt
Short-term Debt					
Mexican pesos:					
Bank loans	1,400	—	—	—	1,400
Argentine pesos:					
Bank loans	—	1,179	—	—	1,179
Colombian pesos					
Bank loans	—	496	—	—	496
Venezuelan bolívares fuertes:					
Bank loans	—	741	—	—	741
Long-term Debt(1)					
Mexican pesos:					
Bank loans	9,512	10,550	10,555	—	30,617
Units of Investment (UDI)	2,964	—	—	—	2,964
U.S. dollars:					
Bank loans	—	2,873	3,309	—	6,182
Leasing	—	15	—	—	15
Argentine pesos:					
Bank Loans	—	69	—	—	69
Total	Ps. 13,876	Ps. 15,923	Ps. 13,864	—	Ps. 43,663
Average Cost(2)					
Mexican pesos	8.5%	6.2%	8.2%	—	7.7%
U.S. dollars	—	2.0%	1.6%	—	1.8%
Argentine pesos	—	20.7%	—	—	20.7%
Venezuelan bolívares fuertes	—	18.1%	—	—	18.1%
Colombian pesos	—	4.9%	—	—	4.9%
Total	8.5%	7.1%	6.6%	—	7.4%

(1) Includes the Ps. 5,037 million current portion of long-term debt.
(2) Includes the effect of cross currency and interest rate swaps.

Restrictions Imposed by Debt Instruments

Generally, the covenants contained in the credit agreements and other instruments governing indebtedness entered into by us or our sub-holding companies include limitations on the incurrence of any additional debt based on debt service coverage ratios or leverage tests. These credit agreements also generally include restrictive covenants applicable to us, our sub-holding companies and their subsidiaries. There are no cross-guarantees between sub-holding companies. As of December 31, 2009, FEMSA's obligation of Ps. 2,800 million under a bank loan is guaranteed by FEMSA Cerveza. Additionally, FEMSA's obligation of Ps. 3,112 million is guaranteed by FEMSA Comercio. In addition, FEMSA guaranteed a FEMSA Cerveza obligation of Ps. 3,473 million. Certain of our financing instruments mentioned above are subject to either acceleration or repurchase at the lender's or holder's option if, in the case of FEMSA, the persons exercising control over FEMSA no longer exercise such control and, in the case of FEMSA Cerveza, FEMSA ceases to control FEMSA Cerveza.

We are in compliance with all of our restrictive covenants as of December 31, 2009. A significant and prolonged deterioration in our consolidated results of operations could cause us to cease to be in compliance under certain indebtedness in the future. We can provide no assurances that we will be able to incur indebtedness or to refinance existing indebtedness on similar terms in the future.

Summary of Debt

The following is a summary of our indebtedness by sub-holding company and for FEMSA as of December 31, 2009:

- *Coca-Cola FEMSA*. Coca-Cola FEMSA's total indebtedness was Ps. 15,923 million as of December 31, 2009, as compared to Ps. 18,543 million as of December 31, 2008. Short-term debt (including the current portion of long-term debt) and long-term debt were Ps. 5,427 million and Ps. 10,496 million, respectively, as of December 31, 2009, as compared to Ps. 6,095 million and Ps. 12,448 million, respectively, as of December 31, 2008. As of December 31, 2009, cash, cash equivalents and marketable securities comprised mainly of U.S. dollars, Mexican pesos, Brazilian reais, Venezuelan bolívares, Colombian pesos, and Argentine pesos, representing 45.8%, 27.7%, 19.0%, 3.7%, 2.5% and 0.7%, respectively. As of December 31, 2009, cash, cash equivalents and marketable securities were Ps. 9,740 million, as compared to cash and cash equivalents of Ps. 6,192 million as of December 31, 2008. Approximately Ps. 215 million of cash is considered restricted cash because it has been deposited to settle accounts payable in Venezuela and in Brazil. As of December 31, 2009, Coca-Cola FEMSA had a working capital deficit (defined as the excess of current liabilities over current assets) of Ps. 191 million, reflecting the decrease in cash and cash equivalents, accounts receivable and other assets.

  As part of Coca-Cola FEMSA's financing policy, it expects to continue to finance its liquidity needs from cash operations. Nonetheless, as a result of regulations in certain countries in which it operates, it may not be beneficial or, as the case of exchange controls in Venezuela, practicable for Coca-Cola FEMSA 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, in the event that cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, Coca-Cola FEMSA may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds from another country. In addition, in the future Coca-Cola FEMSA may be required to finance its working capital and capital expenditure needs with short-term or other borrowings.

  Coca-Cola FEMSA's average cost of debt, after giving effect to cross currency and interest rate swaps, was 2.6% in U.S. dollars, 7.2% in Mexican pesos, 12.5% in Colombian pesos, 18.9% in Venezuelan bolívares and 21.6% in Argentine pesos as of December 31, 2009, compared to 5.5% in U.S. dollars, 9.0% in Mexican pesos, 15.2% in Colombian pesos, 22.2% in Venezuelan bolívares fuertes and 19.6% in Argentine pesos as of December 31, 2008.

- *FEMSA Cerveza*. As of December 31, 2009, FEMSA Cerveza's total outstanding debt was Ps. 13,864 million, which included Ps. 314 million of outstanding short-term trade and working capital loans. As of December 31, 2008, FEMSA Cerveza had Ps. 13,550 million of outstanding long-term debt consisting of bilateral bank loans and equipment financing loans. Cash and cash equivalents comprised of Mexican pesos, Brazilian reais and U.S. dollars, representing 57%, 40% and 3%, respectively. As of December 31, 2009, cash and cash equivalents were Ps. 1,229 million as compared to Ps. 936 million as of December 31, 2008. FEMSA Cerveza's average cost of debt, after giving effect to interest rate swaps, as of December 31, 2009, was 8.21% in Mexican pesos, and 1.63% in U.S. dollars. On April 30, 2010, Heineken assumed the total outstanding debt of FEMSA Cerveza. See "Item 5. Operating and Financial Review and Prospects—Recent Developments."

- *FEMSA Comercio*. As of December 31, 2009, FEMSA Comercio does not have outstanding debt.

- *FEMSA and other business*. As of December 31, 2009, FEMSA and the companies comprising our other business had total outstanding debt of Ps. 13,876 million, which includes Ps. 3,112 million of outstanding short-term debt (including the current portion of long-term debt). As of December 31, 2009, outstanding long-term debt was Ps. 10,764, which consisted of Ps. 1,500 million of *certificados bursátiles*, which mature in May 2011, Ps. 3,500 million of *certificados bursátiles*, which mature in April 2013, Ps. 2,964 million of *unidades de inversión* (inflation indexed units or UDI) which mature in December 2017 and Ps. 2,800 million which mature in April 2011. Additionally, Ps. 12,362 million of this outstanding debt was assigned to FEMSA Cerveza through intercompany documents, dated as of the closing of the Heineken transaction on April 30, 2010. Heineken paid the total amount of this debt. FEMSA's average cost of debt, after giving effect to interest rate swaps, as of December 31, 2009, was 8.49% in Mexican pesos.

Contingencies

We have various loss contingencies, for which reserves have been recorded in those cases where we believe an unfavorable resolution is probable. See "Item 8. Financial Information—Legal Proceedings." Most of these loss contingencies were recorded as reserves as a result of Panamco and Kaiser acquisitions. Any amounts required to be paid in connection with these loss contingencies would be required to be paid from available cash.

In 2009, the Brazilian government offered an amnesty, which grants a discount for fines and surcharges regarding indirect tax contingencies and allows the application of income tax losses to the remaining balance. In November 2009, our Brazilian operations announced to the Brazilian government the adoption of this amnesty. As a result, the Company cancelled indirect tax contingencies of Ps. 1,008 and applied income tax losses of Ps. 6,886. After amnesty adoption, as of December 31, 2009, Brazilian indirect tax contingencies and income tax losses carryforward amounted to Ps. 941, and Ps. 6,617, respectively. Additionally, since the acquisition of Kaiser, the Company identified some loss contingencies as more likely than not to occur. MolsonCoors, the previous parent of Kaiser agreed to indemnify for any loss related to those contingencies recognized as part of Kaiser's acquisition in 2006; such indemnity is limited to 82.95%, which was the percentage of Kaiser that the Company acquired from MolsonCoors. Consequently, the Company maintains an account receivable with MolsonCoors of Ps. 1,487 regarding the usage of tax losses to cancel those contingencies, which are recorded as part of accounts receivable and other assets. See "Item 18. Financial statements—Note 23 Taxes."

The following table presents the nature and amount of loss contingencies recorded as of December 31, 2009:

	Loss Contingencies As of December 31, 2009 (in millions of Mexican pesos)
Indirect taxes	Ps. 1,164
Labor	1,672
Legal	216
Total	Ps. 3,052

As is customary in Brazil, we have been asked by the tax authorities to collateralize tax contingencies currently in litigation in respect of Ps. 3,251 by pledging fixed assets and entering into available lines of credit to cover such contingencies.

We have other contingencies for which we have not recorded a reserve. These contingencies or our assessment of them may change in the future, and we may record reserves or be required to pay amounts in respect of these contingencies. As of December 31, 2009, the aggregate amount of contingencies for which we have not recorded a reserve was Ps. 11,922 million. These contingencies have been classified as less than probable by our legal counsel.

Capital Expenditures

For the past five years, we have had significant capital expenditure programs, which for the most part were financed with cash from operations. Capital expenditures reached Ps. 13,178 million in 2009 compared to Ps. 14,234 million in 2008, a decrease of 7.4%. This was primarily due to a reduction of investments in the beverage business units related to the economic downturn. The principal components of our capital expenditures have been for equipment, market-related investments and production capacity and distribution network expansion at both Coca-Cola FEMSA and FEMSA Cerveza. See "Item 4. Information on the Company—Capital Expenditures and Divestitures."

Expected Capital Expenditures for 2010

Our capital expenditure budget for 2010 is expected to be approximately US$ 772 million. The following discussion is based on each of our sub-holding companies' internal 2010 budgets. The capital expenditure plan for 2010 is subject to change based on market and other conditions and the subsidiaries' results of operations and financial resources.

Coca-Cola FEMSA's capital expenditures in 2010 are expected to be approximately up to US$ 500 million. Coca-Cola FEMSA's capital expenditures in 2010 are primarily intended for:

- investment in manufacturing lines;
- returnable bottles and cases;
- market investments (primarily for the placement of refrigeration equipment); and
- improvements throughout distribution network
- IT investments.

Coca-Cola FEMSA estimates that of its projected capital expenditures for 2010, approximately 45% will be allocated in respect of its Mexican territories and the remaining will be for its non-Mexican territories. Coca-Cola FEMSA believes that internally generated funds will be sufficient to meet its budget capital expenditures for 2010. Coca-Cola FEMSA's capital expenditure plan for 2010 may change based on market and other conditions and based on its results of operations and financial results.

FEMSA Comercio's capital expenditure budget in 2010 is expected to total approximately US$ 238 million, and will be allocated to the opening of new OXXO stores and to a lesser extent to the refurbishing of existing OXXO stores and the investment in two new distribution centers. In addition, investments are planned in FEMSA Comercio's information technology, ERP software updates and transportation equipment.

Hedging Activities

Our business activities require the holding or issuing of derivative instruments to hedge our exposure to market risks related to changes in interest rates, foreign currency exchange rates, equity risk and commodity price risk. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

The following table provides a summary of the fair value of derivative financial instruments as of December 31, 2009. If such instruments are not traded in a formal market, fair value is determined by applying techniques based upon technical models we believe are supported by sufficient, reliable and verifiable market data, recognized in the financial sector.

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	Fair Value At December 31, 2009				
	Maturity less than 1 year	Maturity 1 - 3 years	Maturity 3 - 5 years	Maturity in excess of 5 years	Fair Value Asset (Liability)
	(in millions of Mexican pesos)				
Prices quoted by external sources	(791)	(526)	342	468	(507)

Plan for the Disposal of Certain Fixed Assets

We have identified certain fixed assets consisting of land, buildings and equipment for disposal, and we have an approved program for disposal of these fixed assets. These assets are not in use and have been valued at their estimated net realizable value without exceeding their restated acquisition cost. These assets are allocated as follows:

	December 31,	
	2009	2008
	(in millions of Mexican pesos)	
Coca-Cola FEMSA	Ps. 288	Ps. 394
FEMSA Cerveza	208	291
FEMSA and other	42	45
Total	Ps. 538	Ps. 730

In inflationary economic environments, fixed assets recorded at their estimated realizable value are considered monetary assets on which a loss on monetary position is computed and recorded in results of operation.

U.S. GAAP Reconciliation

The principal differences between Mexican Financial Reporting Standards and U.S. GAAP that affect our net income and majority stockholders' equity relate to the accounting treatment of the following items:

- consolidation of our subsidiary Coca-Cola FEMSA, which is a consolidated subsidiary for purposes of Mexican Financial Reporting Standards but presented under the equity method for U.S. GAAP purposes;
- FEMSA's noncontrolling interest acquisition and sales;
- deferred income taxes and deferred employee profit sharing;
- restatement of imported machinery and equipment up to 2007;
- capitalization of comprehensive financing result;
- labor liabilities, and
- start-up expenses.

For a more detailed description of the differences between Mexican Financial Reporting Standards and U.S. GAAP as they relate to us, as well as U.S. GAAP consolidated balance sheets, statements of income and comprehensive income, and cash flows for the same periods presented for Mexican Financial Reporting Standards purposes and, for the consolidated statement of changes in stockholders' equity for the years ended December 31, 2009 and 2008 and reconciliation of net income and stockholders' equity under Mexican Financial Reporting Standards to net income and stockholders' equity under U.S. GAAP, see notes 26 and 27 to our audited consolidated financial statements.

Pursuant to Mexican Financial Reporting Standards through 2007, our audited consolidated financial statements recognize certain effects of inflation in accordance with Bulletin B-10. These effects were not reversed in our U.S. GAAP financial information. Beginning in 2008, we discontinued inflationary accounting in accordance with NIF B-10 in non-inflationary economic environments.

Under U.S. GAAP, we had net income attributable to controlling interest of Ps. 9,902 million and Ps. 6,852 million in 2009 and 2008, respectively. Under Mexican Financial Reporting Standards, we had net controlling interest income of Ps. 9,908 million and Ps. 6,708 million in 2009 and 2008, respectively. In 2009, net income attributable to controlling interest under U.S. GAAP was slightly lower than net controlling income under Mexican Financial Reporting Standards, mainly due to greater similarity among both accounting standards.

Controlling interest equity under U.S. GAAP as of December 31, 2009 and 2008 was Ps. 98,168 million and Ps. 85,537 million, respectively. Under Mexican Financial Reporting Standards, controlling interest equity as of December 31, 2009 and 2008 was Ps. 81,637 million and Ps. 68,821 million, respectively. The principal reasons for the difference between controlling interest stockholders' equity under U.S. GAAP and controlling interest equity under Mexican Financial Reporting Standards were the effect of the goodwill generated by the noncontrolling interest acquisitions, deferred income tax, labor liabilities, deferred employee profit sharing and start-up expenses.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

Management of our business is vested in the board of directors and in our chief executive officer. Our bylaws provide that the board of directors will consist of no more than 21 directors and their corresponding alternate directors elected by our shareholders at the AGM. Directors are elected for a term of one year. Alternate directors are authorized to serve on the board of directors in place of their specific directors who are unable to attend meetings and may participate in the activities of the board of directors. Nineteen members form our board of directors. Our bylaws provide that the holders of the Series B Shares elect at least eleven directors and that the holders of the Series D Shares elect five directors. See "Item 10. Additional Information—Bylaws."

In accordance with our bylaws and article 24 of the Mexican Securities Law, at least 25% of the members of our board of directors must be independent (as defined by the Mexican Securities Law).

The board of directors may appoint interim directors in the event that a director is absent or an elected director and corresponding alternate are unable to serve. Such interim directors shall serve until the next AGM, at which the shareholders shall elect a replacement.

Our bylaws provide that the board of directors shall meet at least once every 3 months. Actions by the board of directors must be approved by at least a majority of the directors present and voting. The chairman of the board of directors, the chairman of our audit or corporate practices committee, or at least 25% of our directors may call a board of directors' meeting and include matters in the meeting agenda.

Series "B" Directors

José Antonio Fernández Carbajal	Born:	February 1954
Director and Chairman of the Board	First elected (Chairman):	2001
	First elected (Director):	1984
	Term expires:	2011
	Principal occupation:	Chief Executive Officer of FEMSA

	Other directorships:	Chairman of the board of Coca-Cola FEMSA, Vice-Chairman of the supervisory board of Heineken and member of the board of Heineken Holding, Vice-Chairman of the board of Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. (ITESM) and member of the boards of BBVA Bancomer, Bancomer, Industrias Peñoles, S.A.B. de C.V. (Peñoles), Grupo Industrial Bimbo, S.A.B. de C.V. (Bimbo), Grupo Televisa S.A.B. (Televisa), Controladora Vuela Compañia de Aviación S.A. de C.V. (Volaris), Xignus, S.A. de C.V., and Cemex, S.A.B. de C.V. (Cemex)
	Business experience:	Joined FEMSA's strategic planning department in 1987, held managerial positions at FEMSA Cerveza's commercial division and OXXO and appointed our Chief Executive Officer in 1995
	Education:	Holds a degree in industrial engineering and an MBA from ITESM
	Alternate director:	Federico Reyes García
Eva Garza Lagüera Gonda[(1)] *Director*	Born:	April 1958
	First elected:	1999
	Term expires:	2011
	Principal occupation:	Private investor
	Other directorships	Member of the boards of directors of Coca-Cola FEMSA, ITESM and Premio Eugenio Garza Sada
	Education:	Holds a degree in Communication Sciences from ITESM
	Alternate director:	Paulina Garza Lagüera Gonda[(2)]
Bárbara Garza Lagüera Gonda[(2)] *Director*	Born:	December 1959
	First elected:	2002
	Term expires:	2011
	Principal occupation:	Private investor
	Business experience:	Former President / Chief Executive Officer of Alternativas Pacíficas, A.C., (a non-profit organization)
	Education:	Holds a business administration degree from ITESM
	Alternate director:	Enrique F. Senior Hernández
José Fernando Calderón Rojas *Director*	Born:	July 1954
	First elected:	2005
	Term expires:	2011
	Principal occupation:	Chairman of the board of directors and Chief Executive Officer of Franca Servicios, S.A. de C.V., Servicios Administrativos de Monterrey, S.A. de C.V., Regio Franca, S.A. de C.V., and Franca Industrias, S.A. de C.V.
	Other directorships:	Member of the boards of Bancomer and Alfa, S.A.B. de C.V. (Alfa)
	Education:	Holds a law degree from the Universidad Autónoma de Nuevo León (UANL) and completed specialization studies in tax at UANL
	Alternate director:	Francisco José Calderón Rojas[(3)]
Consuelo Garza de Garza *Director*	Born:	October 1930
	First elected:	1995
	Term expires:	2011
	Business experience:	Founder and former President of Asociación Nacional Pro-Superación Personal, (a non-profit organization)
	Alternate director:	Alfonso Garza Garza[(4)]

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Max Michel Suberville	Born:	July 1932
Director	First elected:	1985
	Term expires:	2011
	Principal occupation:	Private Investor
	Other directorships:	Co-chairman of the equity committee of El Puerto de Liverpool, S.A.B. de C.V. (Liverpool). Member of the boards of Peñoles, Grupo Nacional Provincial, S.A. (GNP), Grupo Profuturo, S.A. de C.V. (Profuturo), Grupo GNP Pensiones, S.A. de C.V. y Afinazadora Sofimex, S.A.
	Education:	Holds a graduate degree from The Massachusetts Institute of Technology and completed post-graduate studies at Harvard University
	Alternate director:	Max Michel González(5)
Alberto Bailleres	Born:	August 1931
Director	First elected:	1989
	Term expires:	2011
	Principal occupation:	Chairman of the boards of Grupo BAL, S.A. de C.V. Peñoles, GNP, Fresnillo plc, Grupo Palacio de Hierro, S.A.B. de C.V., Profuturo, Instituto Tecnológico Autónomo de México and director of Valores Mexicanos Casa de Bolsa, S.A. de C.V.
	Other directorships:	Member of the boards of BBVA Bancomer, Bancomer, Dine, S.A.B. de C.V. (formerly Grupo Desc) (Dine), Televisa, Grupo Kuo, S.A.B. de C.V. (formerly Grupo Desc) (Kuo).
	Education:	Holds an economics degree from Instituto Tecnológico Autónomo de México
	Alternate director:	Arturo Fernández Pérez
Francisco Javier Fernández Carbajal(6)	Born:	April 1955
Director	First elected:	2005
	Term expires:	2011
	Principal occupation:	Chief Executive Officer of Servicios Administrativos Contry, S.A. de C.V.
	Other directorships:	Member of the boards of Visa, Inc., Grupo Aeroportuario del Pacífico, S.A.B. de C.V., Alfa and Fresnillo, Plc.
	Education:	Holds degrees in mechanical and electrical engineering from ITESM and an MBA from Harvard Business School
	Alternate director:	Javier Astaburuaga Sanjines
Ricardo Guajardo Touché	Born:	May 1948
Director	First elected:	1988
	Term expires:	2011
	Principal occupation:	Chairman of Solfi, S.A. and Director of Grupo Valores Monterrey
	Other directorships:	Member of the Board of Liverpool, Alfa, BBVA Bancomer, Grupo Aeroportuario del Sureste, S.A. de C.V. (ASUR), Bimbo, BBVA Compass Bank, Nacional Monte de Piedad, Grupo Coppel and Coca-Cola FEMSA
	Business experience:	Has held senior executive positions in our company, Grupo AXA, S.A. de C.V. and Valores de Monterrey, S.A. de C.V. Former Chairman of the Board of BBVA Bancomer
	Education:	Holds degrees in electrical engineering from ITESM and the University of Wisconsin and a masters degree from the University of California at Berkeley
	Alternate director:	Othón Páez Garza

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Alfredo Livas Cantú	Born:	July 1951
Director	First elected:	1995
	Term expires:	2011
	Principal occupation:	President of Praxis Financiera, S.C.
	Other directorships:	Member of the boards of Grupo Industrial Saltillo, S.A.B. de C.V., British American Tobacco (Mexican board), Nacional Monte de Piedad, I.A.P., Primero Fianzas, Grupo Christus Muguerza and Grupo Financiero Banorte, S.A.B. de C.V. (alternate)
	Business experience:	Joined FEMSA in 1978 and held several positions in the areas of financial planning and treasury and served as Chief Financial Officer from 1989 to 1999
	Education:	Holds an economics degree from UANL and an MBA and masters degree in economics from the University of Texas
	Alternate Director:	Sergio Deschamps Ebergenyi
Roberto Servitje Sendra	Born:	January 1928
Director	First elected:	1995
	Term expires:	2011
	Principal occupation:	Chairman of the board of Bimbo
	Other directorships:	Member of the boards of Chrysler de México, S.A. de C.V., Grupo Altex, S.A. de C.V. and ASUR
	Business experience:	Founding member and active chairman of Bimbo
	Education:	Holds a PMD degree from Harvard University
	Alternate director:	Juan Guichard Michel(7)
Carlos Salguero	Born:	October 1929
Director	First elected:	1995
	Term expires:	2011
	Business experience:	Former Phillip Morris Executive Vice-President of Latin America/Iberia, Chairman of the board of Salguero Holdings BVI and Salguero Hotels Chile; and Partner of Salguero Hotels AR
	Other directorships:	Member of the boards of Hotel Esencia in Mexico, City Net, S.A., Retail Media, S.L., Mazarron Beach in Spain and Stratek Plastic Ltd in Ireland
	Education:	Holds a business degree from the Columbian Faculty of Economic Sciences, postgraduate studies in economics and management from Albany Business College and University College (Syracuse) and received an Honor for Civil Merit by H.M. the King of Spain in 1995
	Alternate director:	Alfonso González Migoya
Mariana Garza Lagüera Gonda(2)	Born:	April 1970
Director	First elected:	2001
	Term expires:	2011
	Business experience:	Private Investor
	Other directorships:	Member of the boards of directors of Coca-Cola FEMSA, Hospital San José Tec de Monterrey and Museo de Historia Mexicana
	Education:	Holds a business administration degree in Industrial Engineering from ITESM and a Master of International Management from the Thunderbird American Graduate School of International Management
	Alternate director:	Carlos Salazar Lomelín

José Manuel Canal Hernando *Director*	Born:	February 1940
	First elected:	2003
	Term expires:	2011
	Principal occupation:	Private consultant
	Other directorships:	Member of the boards of Coca-Cola FEMSA, BBVA Bancomer, Banco Compartamos, S.A., ALSEA, S.A.B. de C.V., Kuo, Consorcio Comex and Grupo Proa.
	Business experience:	Former managing partner at Ruiz, Urquiza y Cía, S.C. from 1981 to 1999, acted as our statutory examiner from 1984 to 2002, presided in the Committee of Surveillance of the Mexican Institute of Finance Executives, has participated in several commissions at the Mexican Institute of Public Accountants and has extensive experience in financial auditing for holding companies, banks and financial brokers
	Education:	Holds a CPA degree from the Universidad Nacional Autónoma de México
	Alternate director:	Ricardo Saldívar Escajadillo

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Series "D" Directors

Armando Garza Sada *Director*	Born:	June 1957
	First elected:	2003
	Term expires:	2011
	Principal occupation:	Chairman of the board of directors of Alfa
	Other directorships:	Member of the boards of Directors of Alfa, Grupo Gigante, S.A. de C.V., Liverpool, Grupo Lamosa S.A.B. de C.V., Bolsa Mexicana de Valores, S.A.B. de C.V., MVS Comunicaciones, S.A. de C.V, ITESM, Frisa Forjados, S.A. de C.V. and CYDSA, S.A.B. de C.V.
	Business experience:	He has a long professional career in Alfa, including Executive Vice-President of Corporate Development
	Education:	Holds a degree in industrial engineering from ITESM and a MBA from Stanford University
	Alternate director:	Eduardo Padilla Silva
Alexis E. Rovzar de la Torre	Born:	July 1951
Director	First elected:	1988
	Term expires:	2011
	Principal occupation:	Executive Partner at White & Case, S.C. law firm
	Other directorships:	Member of the boards of Coca-Cola FEMSA (chairman of its audit committee), Bimbo, Bank of Nova Scotia, Grupo Comex, S.A. de C.V., and Grupo ACIR, S.A. de C.V.
	Business experience:	Expert in private and public mergers and acquisitions as well as other aspects of financial law and has been advisor to many companies on international business and joint venture transactions
	Education:	Holds a law degree from the Universidad Nacional Autónoma de México
	Alternate director:	Francisco Zambrano Rodríguez
Helmut Paul *Director*	Born:	March 1940
	First elected:	1988
	Term expires:	2011
	Principal occupation:	Senior Advisor to Darby Overseas Investments, Ltd. and Council for Emerging Market Solutions of Zurich Financial Services.
	Other directorships:	Member of the board of Coca-Cola FEMSA
	Education:	Holds an MBA from the University of Hamburg
	Alternate director:	Michael Larson

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Lorenzo H. Zambrano	Born:	March 1944
Director	First elected:	1995
	Term expires:	2011
	Principal occupation:	Chairman and Chief Executive Officer of Cemex
	Other directorships:	Member of the boards of IBM Corporation, Axtel, S.A.B. de C.V., and member of Citigroup's International Advisory Board, Chairman of the board of ITESM
	Education:	Holds a degree in mechanical engineering and administration from ITESM and an MBA from Stanford University
	Alternate director:	Francisco Garza Zambrano
Robert E. Denham	Born:	August 1945
Director	First elected:	2001
	Term expires:	2011
	Principal occupation:	Partner of Munger, Tolles & Olson LLP law firm
	Other directorships:	Member of the boards of Wesco Financial Corporation, New York Times Co., Oaktree Capital Group, LLC and Chevron Corp.
	Business experience:	Former Chief Executive Officer of Salomon Inc., representative to the APEC Business Advisory Council and member of the OECD Business Sector Advisory Group on Corporate Governance
	Education:	*Magna cum laude* graduate from the University of Texas, holds a JD from Harvard Law School and a masters degree in Government from Harvard University
	Alternate director:	José González Ornelas

(1) Wife of José Antonio Fernández Carbajal.
(2) Sister-in-law of José Antonio Fernández Carbajal.
(3) Brother of José Calderón Rojas.
(4) Son of Consuelo Garza de Garza.
(5) Son of Max Michel Suberville.
(6) Brother of José Antonio Fernández Carbajal.
(7) Nephew of Max Michel Suberville.

Senior Management

The names and positions of our current senior management and that of our principal sub-holding companies, their dates of birth and information on their principal business activities both within and outside of FEMSA are as follows:

FEMSA

José Antonio Fernández Carbajal	See "—Directors." Joined FEMSA:	1987
Chief Executive Officer	Appointed to current position:	1994
Javier Astaburuaga Sanjines	Born:	July 1959
	Joined FEMSA:	1982
Executive Vice-President of Finance and Strategic Development	Appointed to current position:	2006
	Business experience within FEMSA:	Joined FEMSA as a financial information analyst and later acquired experience in corporate development, administration and finance, held various senior positions at FEMSA Cerveza between 1993 and 2001, including Chief Financial Officer and for two years was FEMSA Cerveza's Director of Sales for the north region of Mexico until 2003 in which he was appointed FEMSA Cerveza's Co-Chief Executive Officer-Operations

	Directorships:	Member of the board of Coca-Cola FEMSA and member of the supervisory board of Heineken.
	Education:	Holds a CPA degree from ITESM
Federico Reyes García *Executive Vice-President of Corporate Development*	Born:	September 1945
	Joined FEMSA:	1999
	Appointed to current position:	2006
	Business experience within FEMSA:	Director of Corporate Development, 1992 and Chief Financial Officer from 1999 until 2006
	Directorships:	Member of the boards of Coca-Cola FEMSA and alternate member of de the board of directors of Bimbo
	Other business experience:	Served as Director of Corporate Staff at Grupo AXA and has extensive experience in the insurance sector, working eight years in Valores de Monterrey, S.A. de C.V., six of them as Chief Executive Officer
	Education:	Holds a degree in business and finance from ITESM
José González Ornelas *Executive Vice President of Administration and Operative Control*	Born:	April 1951
	Joined FEMSA:	1973
	Appointed to current position:	2001
	Business experience within FEMSA:	Has held several managerial positions in FEMSA including Chief Financial Officer of FEMSA Cerveza, Director of Planning and Corporate Development of FEMSA and Chief Executive Officer of FEMSA Logística, S.A. de C.V.
	Education:	Holds a CPA degree from UANL and has post-graduate studies in business administration from the Instituto Panamericano de Alta Dirección de Empresa (IPADE)
Alfonso Garza Garza *Executive Vice President of Human Resources Procurement and IT*	Born:	July 1962
	Joined FEMSA:	1985
	Appointed to current position:	2005
	Business experience within FEMSA:	Has experience in several FEMSA business units and departments, including domestic sales, international sales, procurement and marketing, mainly at Cervecería Cuauhtémoc Moctezuma, S.A. de C.V and as Chief Executive Officer of FEMSA Empaques
	Directorships:	Member of the board of Coca-Cola FEMSA
	Education:	Holds a degree in Industrial Engineering from ITESM and an MBA from IPADE
Genaro Borrego Estrada *Director of Corporate Affairs*	Born:	February, 1949
	Joined FEMSA:	2007
	Appointed to current position:	2007
	Professional Experience:	Constitutional Governor of the Mexican State of Zacatecas from 1986 to 1992, General Director of the Mexican Social Security Institute from 1993 to 2000, and Senator in Mexico for the State of Zacatecas from 2000 to 2006

	Directorships:	Member of the board of TANE, S.A. de C.V.
	Education:	Holds a bachelor's degree in International Relations from the Universidad Iberoamericana
Carlos Aldrete Ancira	Born:	August 1956
	Joined FEMSA:	1979
General Counsel and Secretary	Appointed to current position:	1996
	Directorships:	Secretary of the Board of directors of FEMSA and secretary of the board of directors of all of the sub-holding companies
	Business experience within FEMSA:	Extensive experience in international business and financial transactions, debt issuances and corporate restructurings and expertise in securities and private mergers and acquisitions law
	Education:	Holds a law degree from the UANL and a masters degree in Comparative Law from the College of Law of the University of Illinois

Coca-Cola FEMSA

Carlos Salazar Lomelín	Born:	April 1951
Chief Executive Officer	Joined FEMSA:	1973
	Appointed to current position:	2000
	Business experience within FEMSA:	Has held managerial positions in several subsidiaries of FEMSA, including Grafo Regia, S.A. de C.V. and Plásticos Técnicos Mexicanos, S.A. de C.V., served as Chief Executive Officer of FEMSA Cerveza, where he also held various management positions in the Commercial Planning and Export divisions
	Directorships:	Member of the boards of Coca-Cola FEMSA, BBVA Bancomer, Bancomer, AFORE Bancomer, S.A. de C.V., Seguros Bancomer, S.A. de C.V. and Premio Eugenio Garza Sada
	Education:	Holds a bachelor's degree in economics from ITESM, and performed postgraduate studies in business administration and economic development in Italy
Héctor Treviño Gutiérrez	Born:	August 1956
Chief Financial Officer	Joined FEMSA:	1981
	Appointed to current position:	1993
	Business experience within FEMSA:	Has held managerial positions in the international financing, financial planning, strategic planning and corporate development areas of FEMSA
	Directorships:	Independent director of the Investment Committee of SIEFORES, Insurance and Pensions of BBVA Bancomer
	Education:	Holds a degree in chemical engineering from ITESM and an MBA from the Wharton Business School

FEMSA Comercio

Eduardo Padilla Silva	Born:	January 1955
Chief Executive Officer	Joined FEMSA:	1997
	Appointed to current position:	2004
	Business experience within FEMSA:	Director of Planning and Control of FEMSA from 1997 to 1999 and Chief Executive Officer, Strategic Business Division from 2000 until 2003

Other business experience:	Had a 20-year career in Alfa, culminating with a ten-year tenure as Chief Executive Officer of Terza, S.A. de C.V., major areas of expertise include operational control, strategic planning and financial restructuring
Directorships:	Member of the board of Grupo Lamosa, S.A. de C.V., alternate member of the board of Coca-Cola FEMSA
Education:	Holds a degree in mechanical engineering from ITESM and an MBA from Cornell University

Compensation of Directors and Senior Management

The compensation of Directors is approved at the AGM. For the year ended December 31, 2009, the aggregate compensation paid to our directors was approximately Ps. 12 million.

For the year ended December 31, 2009, the aggregate compensation paid to executive officers and senior management of FEMSA and its subsidiaries was approximately Ps. 1,494 million. Aggregate compensation includes bonuses we paid to certain members of senior management and payments in connection with the EVA stock incentive plan described in note 16 to our audited consolidated financial statements. Our senior management and executive officers participate in our benefit plan and post-retirement medical services plan on the same basis as our other employees. Members of our board of directors do not participate in our benefit plan and post-retirement medical services plan, unless they are retired employees of our company. As of December 31, 2009, amounts set aside or accrued for all employees under these retirement plans were Ps. 7,883 million, of which Ps. 3,417 million is already funded.

EVA Stock Incentive Plan

In 2004, we, along with our subsidiaries, commenced a new stock incentive plan for the benefit of our executive officers, which we refer to as the EVA stock incentive plan. This plan replaced the stock incentive plan described in note 16 to our audited consolidated financial statements and was developed using as the main metric for the first three years of the plan for evaluation the Economic Value Added, or EVA, framework developed by Stern Stewart & Co., a compensation consulting firm. Under the EVA stock incentive plan, eligible executive officers are entitled to receive a special cash bonus, which will be used to purchase shares.

Under this plan, each year, our Chief Executive Officer in conjunction with our board of directors, together with the chief executive officer of the respective sub-holding company, determines the amount of the special cash bonus used to purchase shares. This amount is determined based on each executive officer’s level of responsibility and based on the EVA generated by Coca-Cola FEMSA or FEMSA, as applicable.

The shares are administrated by a trust for the benefit of the selected executive officers. Under the EVA stock incentive plan, each time a special bonus is assigned to an executive officer, the executive officer contributes the special bonus received to the administrative trust. Pursuant to the plan, the administrative trust acquires BD Units of FEMSA or, in the case of officers of Coca-Cola FEMSA, a specified proportion of publicly traded local shares of FEMSA and Series L Shares of Coca-Cola FEMSA on the Mexican Stock Exchange using the special bonus contributed by each executive officer. The ownership of the publicly traded local shares of FEMSA and, in the case of Coca-Cola FEMSA executives, the Series L Shares of Coca-Cola FEMSA vests at a rate per year equivalent to 20% of the number of publicly traded local shares of FEMSA and Series L Shares of Coca-Cola FEMSA.

As of April 30, 2010, the trust that manages the EVA stock incentive plan held a total of 12,321,023 BD Units of FEMSA and 3,135,286 Series L Shares of Coca-Cola FEMSA, each representing 0.07% and 0.17% of the total number of shares outstanding of FEMSA and of Coca-Cola FEMSA, respectively.

Insurance Policies

We maintain life insurance policies for all of our employees. These policies mitigate the risk of having to pay death benefits in the event of an industrial accident. We maintain a directors and officers' insurance policy covering all directors and certain key executive officers for liabilities incurred in their capacities as directors and officers.

Ownership by Management

Several of our directors are participants of a voting trust. Each of the trust participants of the voting trust is deemed to have beneficial ownership with shared voting power over the shares deposited in the voting trust. As of April 30, 2010, 6,922,159,485 Series B Shares representing 74.86% of the outstanding Series B Shares were deposited in the voting trust. See "Item 7. Major Shareholders and Related Party Transactions."

The following table shows the Series B Shares, Series D-B Shares and Series D-L Shares as of April 30, 2010 beneficially owned by our directors who are participants in the voting trust, other than the shares deposited in the voting trust:

	Series B		Series D-B		Series D-L	
Beneficial Owner	Shares	Percent of Class	Shares	Percent of Class	Shares	Percent of Class
Eva Garza Lagüera Gonda	2,665,480	0.03%	5,330,960	0.12%	5,330,960	0.12%
Mariana Garza Lagüera Gonda	2,665,480	0.03%	5,330,960	0.12%	5,330,960	0.12%
Barbara Garza Lagüera Gonda	2,665,480	0.03%	5,330,960	0.12%	5,330,960	0.12%
Paulina Garza Lagüera Gonda	2,665,480	0.03%	5,330,960	0.12%	5,330,960	0.12%
Consuelo Garza de Garza	69,401,775	0.75%	12,574,950	0.29%	12,574,950	0.29%
Alberto Bailleres	7,894,821	0.08%	15,789,642	0.36%	15,789,642	0.36%
Alfonso Garza Garza	272,029	—	544,058	0.01%	544,058	0.01%

To our knowledge, no other director or officer is the beneficial owner of more than 1% of any class of our capital stock.

Board Practices

Our bylaws state that the board of directors will meet at least once every three months following the end of each quarter to discuss our operating results and the advancement in the achievement of strategic objectives. Our board of directors can also hold extraordinary meetings. See "Item 10. Additional Information—Bylaws."

Under our bylaws, directors serve one-year terms although they continue in office even after the term for which they were appointed ends for up to 30 calendar days, as set forth in article 24 of Mexican Securities Law. None of our directors or senior managers of our subsidiaries has service contracts providing for benefits upon termination of employment, other than post-retirement medical services plans and post-retirement pension plans for our senior managers on the same basis as our other employees.

Our board of directors is supported by committees, which are working groups that analyze issues and provide recommendations to the board of directors regarding their respective areas of focus. The executive officers interact periodically with the committees to address management issues. Each committee has a secretary who attends meetings but is not a member of the committee. The following are the three committees of the board of directors:

- *Audit Committee*. The Audit Committee is responsible for (1) reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements, (2) for the appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee, and (3) identifying and following-up on contingencies and legal proceedings. The Audit Committee has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, the company compensates the independent auditor and any outside advisor hired by the Audit Committee and provides funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. The current Audit Committee members are: Alexis E. Rovzar de la Torre (Chairman), José Manuel Canal Hernando (Financial Expert), Francisco Zambrano Rodríguez and Alfonso González Migoya. Each member of the audit committee is an independent director, as required by the Mexican Securities Law and applicable New York Stock Exchange listing standards. The Secretary of the Audit Committee is José González Ornelas, head of FEMSA's internal audit department.
- *The Finance and Planning Committee*. Responsibilities include (1) evaluating the investment and financing policies proposed by the Chief Executive Officer; and (2) evaluating risk factors to which the corporation is exposed, as well as evaluating its management policies. The current Finance and Planning Committee members are: Ricardo Guajardo Touché (chairman), Federico Reyes García, Robert E. Denham, Francisco Javier Fernandez Carbajal and Alfredo Livas Cantú. Javier Astaburuaga Sanjines is the appointed secretary of this committee.
- *Corporate Practices Committee.* The Corporate Practices Committee is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders. The committee may call a shareholders' meeting and include matters on the agenda for that meeting that it may deem appropriate, approve policies on the use of our company's assets or related party transactions, approve the compensation of the chief executive officer and relevant officers and support our board of directors in the elaboration of reports on accounting practices. The chairman of the Corporate Practices Committee is Lorenzo H. Zambrano. The additional members include: Carlos Salguero and Helmut Paul. Each member of the Corporate Practices Committee is an independent director, as required by the Mexican Securities Law. The Secretary of the Corporate Practices Committee is Alfonso Garza Garza.

Employees

As of December 31, 2009, our headcount by geographic region was as follows: 84,807 in Mexico, 5,412 in Central America, 9,040 in Colombia, 8,334 in Venezuela, 15,663 in Brazil and 3,953 in Argentina. We include in headcount employees of third-party distributors who we do not consider to be our employees. The table below sets forth headcount for the years ended December 31, 2009, 2008 and 2007:

	Headcount for the Year Ended December 31,						
	2009		2008			2007	
	Non-Union	Union	Total	Non-Union	Union	Non-Union	Union
Sub-holding company							
Coca-Cola FEMSA(1)	35,734	31,692	67,426	34,773	30,248	32,657	25,465
FEMSA Cerveza	14,003	10,738	24,741	15,181	10,844	13,751	10,708
FEMSA Comercio(2)	5,713	17,760	23,473	4,919	16,342	4,488	11,336
Other	6,592	4,947	11,539	6,186	4,488	2,661	3,954
Total	62,042	65,137	127,179	61,059	61,922	53,557	51,463

(1) Includes employees of third-party distributors who we do not consider to be our employees of 17,241, 17,888 and 16,089 in 2009, 2008, and 2007, respectively.
(2) Does not include non-management store employees, who are employed directly by each individual store.

As of December 31, 2009, our subsidiaries had entered into 448 collective bargaining or similar agreements with personnel employed at our operations. Each of the labor unions in Mexico is associated with one of 8 different national Mexican labor organizations. In general, we have a good relationship with the labor unions throughout our operations, except for in Colombia and Venezuela, which are the subject of significant labor-related litigation. See “Item 8. Financial Information—Legal Proceedings—Coca-Cola FEMSA.” The agreements applicable to our Mexican operations generally have an indefinite term and provide for an annual salary review and for review of other terms and conditions, such as fringe benefits, every two years.

The table below sets forth the number of collective bargaining agreements and unions for our employees:

Collective Bargaining Labor Agreements Between Sub-holding Companies and Unions As of December 31, 2009

Sub-holding Company	Collective Bargaining Agreements	Labor Unions
Coca-Cola FEMSA	102	48
FEMSA Cerveza	188	18
FEMSA Comercio(1)	80	4
Others	78	8
Total	448	78

(1) Does not include non-management store employees, who are employed directly by each individual store.

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table identifies each owner of more than 5% of any class of our shares known to the company as of April 30, 2010. Except as described below, we are not aware of any holder of more than 5% of any class of our shares. Only the Series B Shares have full voting rights under our bylaws.

Ownership of Capital Stock as of April 30, 2010

	Series B Shares(1)		Series D-B Shares(2)		Series D-L Shares(3)		Total Shares of FEMSA Common Stock
Shareholder	**Shares Owned**	**Percent of Class**	**Shares Owned**	**Percent of Class**	**Shares Owned**	**Percent of Class**	
Technical Committee and Trust Participants under the Voting Trust(4)	6,922,159,485	74.86%	0	0.00%	0	0%	38.69%
William H. Gates III(5)	271,831,490	2.9%	543,662,980	12.6%	543,662,980	12.6%	7.6%

(1) As of April 30, 2010, there were 9,246,420,270 Series B Shares outstanding.

(2) As of April 30, 2010, there were 4,322,355,540 Series D-B Shares outstanding.

(3) As of April 30, 2010, there were 4,322,355,540 Series D-L Shares outstanding.

(4) As a consequence of the voting trust's internal procedures, the following trust participants are deemed to have beneficial ownership with shared voting power over those same deposited shares: BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/25078-7 (controlled by Max Michel Suberville), Paulina Garza Lagüera Gonda, Bárbara Garza Lagüera Gonda, Mariana Garza Lagüera Gonda, Eva Gonda Rivera, Eva Maria Garza Lagüera Gonda, Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Patricio Garza Garza, Juan Carlos Garza Garza, Eduardo Garza Garza, Eugenio Garza Garza, Alberto Bailleres González, Maria Teresa Gual Aspe de Bailleres, Inversiones Bursátiles Industriales, S.A. de C.V. (controlled by the Garza Lagüera family), Corbal, S.A. de C.V. (controlled by Alberto Bailleres Gonzalez), Magdalena Michel de David, Alepage, S.A. (controlled by Consuelo Garza Lagüera de Garza), BBVA Bancomer Servicios, S.A. as Trustee under Trust No. F/29013-0 (controlled by the estate of José Calderón Ayala, late father of José Calderón Rojas), Max Michel Suberville, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, Franca Servicios, S.A. de C.V. (controlled by the estate of José Calderón Ayala, late father of José Calderón Rojas), BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/29490-0 (controlled by Alberto, Susana and Cecilia Bailleres), BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/710004 (controlled by Magdalena Michel de David) and BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/700005 (controlled by Renee Michel de Guichard).

(5) As reported on Schedule 13D filed on April 26, 2010, includes aggregate shares beneficially owned by Cascade Investments, LLC, over which William H. Gates III has sole voting and dispositive power, and shares beneficially owned by the Bill and Melinda Gates Foundation Trust, over which William H. Gates III and Melinda French Gates have shared voting and dispositive power.

As of June 18, 2010, there were 251 holders of record of ADSs in the United States, which represented approximately 60% of our outstanding BD Units. Since a substantial number of ADSs are held in the name of nominees of the beneficial owners, including the nominee of The Depository Trust Company, the number of beneficial owners of ADSs is substantially greater than the number of record holders of these securities.

Related-Party Transactions

Voting Trust

The trust participants, who are our principal shareholders, agreed in April 1998 to deposit a majority of their shares, which we refer to as the trust assets, of FEMSA into the voting trust, and later entered into an amended agreement on August 8, 2005, following the substitution by Banco Invex, S.A. as trustee to the voting trust. The primary purpose of the voting trust is to permit the trust assets to be voted as a block, in accordance with the instructions of the technical committee. The trust participants are separated into seven trust groups and the technical committee is comprised of one representative appointed by each trust group. The number of B Units corresponding with each trust group (the proportional share of the shares deposited in the trust of such group) determines the number of votes that each trust representative has on the technical committee. Most matters are decided by a simple majority of the trust assets.

The trust participants agreed to certain transfer restrictions with respect to the trust assets. The trust is irrevocable, for a term that will conclude on May 31, 2013 (subject to additional five-year renewal terms), during which time, trust assets may be transferred by trust participants to spouses and immediate family members and, subject to certain conditions, to companies that are 100% owned by trust participants, which we refer to as the permitted transferees, provided in all cases that the transferee agrees to be bound by the terms of the voting trust. In the event that a trust participant wishes to sell part of its trust assets to someone other than a permitted transferee, the other trust participants have a right of first refusal to purchase the trust assets that the trust participant wishes to sell. If none of the trust participants elects to acquire the trust assets from the selling trust participant, the technical committee will have a right to nominate (subject to the approval of technical committee members representing 75% of the trust assets, excluding trust assets that are the subject of the sale) a purchaser for such trust assets. In the event that none of the trust participants or a nominated purchaser elects to acquire trust assets, the selling trust participant will have the right to sell the trust assets to a third-party on the same terms and conditions that were offered to the trust participants. Acquirors of trust assets will only be permitted to become parties to the voting trust upon the affirmative vote by the technical committee of at least 75% of the trust shares, which must include trust shares represented by at least three trust group representatives. In the event that a trust participant holding a majority of the trust assets elects to sell its trust assets, the other trust participants have “tag along” rights that will enable them to sell their trust assets to the acquiror of the selling trust participant’s trust assets.

Because of their ownership of a majority of the Series B Shares, the trust participants may be deemed to control our company. Other than as a result of their ownership of the Series B Shares, the trust participants do not have any voting rights that are different from those of other shareholders.

Interest of Management in Certain Transactions

The following is a summary of transactions we have entered into with entities for which members of our board of directors or management serve as a member of the board of directors or management. Each of these transactions was entered into in the ordinary course of business, and we believe each is on terms comparable to those that could be obtained in arm’s length negotiations with unaffiliated third parties. Under our by-laws, transactions entered with related parties not in the ordinary course of business are subject to the approval of our board of directors, subject to the prior opinion of the corporate practices committee.

We, along with certain of our subsidiaries, regularly engage in financing and insurance coverage transactions, including entering into loans, bond offerings in the local capital markets and credit line facilities, with subsidiaries of BBVA Bancomer, a financial services holding company of which José Antonio Fernández Carbajal, our Chairman and Chief Executive Officer, Alberto Bailleres and Ricardo Guajardo Touché, who are also directors of FEMSA, are directors. We made interest expense payments and fees paid to BBVA Bancomer in respect of these transactions of Ps. 591 million, Ps. 780 million and Ps. 305 million as of the end of December 31, 2009, 2008 and 2007, respectively. The total amount due to BBVA Bancomer as of the end of December 31, 2009 and 2008 were Ps. 10,124 million and Ps. 10,060 million, respectively.

We maintain an insurance policy covering auto insurance and medical expenses for executives issued by Grupo Nacional Provincial, S.A., an insurance company of which the chairman of the board and chief executive

officer is Alberto Bailleres, one of our directors. The aggregate amount of premiums paid under these policies was approximately Ps. 123 million, Ps. 83 million and Ps. 31 million in 2009, 2008 and 2007, respectively.

We, along with certain of our subsidiaries, spent Ps. 247 million, Ps. 253 million and Ps. 178 million in the ordinary course of business in 2009, 2008 and 2007, respectively, in publicity and advertisement purchased from Grupo Televisa, S.A.B., a media corporation in which our Chairman and Chief Executive Officer, José Antonio Fernández Carbajal, and two of our Directors, Alberto Bailleres and Lorenzo Zambrano, serve as directors.

We regularly engage in the ordinary course of business in hedging transactions, and enter into loans and credit line facilities on an arm's length basis with subsidiaries of Grupo Financiero Banamex, S.A. de C.V., a financial services holding company in which Lorenzo Zambrano, one of our directors also serves as director. The interest expense and fees paid to Grupo Financiero Banamex as of December 31, 2009, 2008 and 2007 was Ps. 246 million, Ps. 289 million and Ps. 539 million, respectively.

Coca-Cola FEMSA in its ordinary course of business, purchased Ps. 1,044 million and Ps. 863 million in 2009 and 2008, respectively, in juices from subsidiaries of Jugos del Valle.

FEMSA Comercio in its ordinary course of business, purchased Ps. 1,733 million, Ps. 1,578 million and Ps. 1,324 million in 2009, 2008 and 2007, respectively, in baked goods and snacks for its stores from subsidiaries of Grupo Bimbo, of which the chairman of the board is Roberto Servitje, a director of FEMSA. Additionally, FEMSA Comercio purchased Ps. 1,413 million, Ps. 1,439 million and Ps. 1,064 million in 2009, 2008 and 2007, respectively, in cigarettes from British American Tobacco Mexico (BAT Mexico), of which Alfredo Livas Cantú, who is member of the board of directors of FEMSA, is also a member of the board of directors. These purchases were entered into in the ordinary course of business, and we believe they were made on terms comparable to those that could be obtained in arm's length negotiations with unaffiliated third parties.

José Antonio Fernández Carbajal, Eva Garza de Fernández, Ricardo Guajardo Touché and Lorenzo H. Zambrano, who are directors of FEMSA, are also members of the board of directors of ITESM, which is a prestigious university in Monterrey, Mexico that routinely receives donations from FEMSA and its subsidiaries. As of the end of December 31, 2009, 2008 and 2007, donations to ITESM amounted to Ps. 100 million, Ps. 79 million and Ps. 108 million, respectively.

Business Transactions between Coca-Cola FEMSA and The Coca-Cola Company

Coca-Cola FEMSA regularly engages in transactions with The Coca-Cola Company and its affiliates. Coca-Cola FEMSA purchases all of its concentrate requirements for *Coca-Cola* trademark beverages from The Coca-Cola Company. Total payments by Coca-Cola FEMSA to The Coca-Cola Company for concentrates were approximately Ps. 16,863 million, Ps. 13,518 million and Ps. 12,239 million in 2009, 2008 and 2007, respectively. Coca-Cola FEMSA and The Coca-Cola Company pay and reimburse each other for marketing expenditures. The Coca-Cola Company also contributes to Coca-Cola FEMSA's coolers, bottles and cases investment program. Coca-Cola FEMSA received contributions to its marketing expenses and the coolers investment program, of Ps. 1,945 million, Ps. 1,995 million and 1,582 million in 2009, 2008 and 2007, respectively.

In December 2007 and in May 2008, Coca-Cola FEMSA sold most of its proprietary brands to The Coca-Cola Company. The proprietary brands are now being licensed back to Coca-Cola FEMSA by The Coca-Cola Company pursuant to Coca-Cola FEMSA's bottler agreements. The December 2007 transaction was valued at US$ 48 million and the May 2008 transaction was valued at US$ 16 million. Coca-Cola FEMSA believes that both of these transactions were conducted on an arm's length basis. Revenues from the sale of proprietary brands realized in prior years in which Coca-Cola FEMSA has a significant continuing involvement are deferred and amortized against the related costs of future sales over the estimated sales period. The balance to be amortized amounted to Ps. 616 million, Ps. 571 million and Ps. 603 million as of December 31, 2009, 2008 and 2007, respectively. The short-term portions are included in other current liabilities as of December 31, 2009, 2008 and 2007, and amounted to Ps. 203, Ps. 139 and Ps. 113 million, respectively.

In Argentina, Coca-Cola FEMSA purchases a portion of its plastic ingot requirements for producing plastic bottles and all of its returnable plastic bottle requirements from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina, S.A., a Coca-Cola bottler with operations in Argentina, Chile and Brazil in which The Coca-Cola Company has a substantial interest.

In November 2007, Administración S.A.P.I acquired 100% of the shares of capital stock of Jugos del Valle. The business of Jugos del Valle in the United States was acquired and sold by The Coca-Cola Company. In June 2008, Administración S.A.P.I. and Jugos del Valle (surviving company) were merged. Subsequently, Coca-Cola FEMSA and The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and the Brazilian operations, respectively, of Jugos del Valle, through transactions completed during 2008. Coca-Cola FEMSA holds an interest of approximately 20% in each of the Mexican and the Brazilian joint businesses. Jugos del Valle sells juice-based beverages and fruit derivatives. Coca-Cola FEMSA distributes the Jugos del Valle line of juice-based beverages in Brazil and its territories in Latincentro.

In February 2009, Coca-Cola FEMSA acquired with The Coca-Cola Company the *Brisa* bottled water business in Colombia from Bavaria, a subsidiary of SABMiller. Coca-Cola FEMSA acquired the production assets and the rights to distribute in the territory, and The Coca-Cola Company acquired the *Brisa* brand. Coca-Cola FEMSA and The Coca-Cola Company equally shared in paying the purchase price of US$ 92 million. Following a transition period, in June 2009, Coca-Cola FEMSA started to sell and distribute the *Brisa* portfolio of products in Colombia.

In May 2009, Coca-Cola FEMSA completed a transaction to develop the *Crystal* trademark water business in Brazil jointly with The Coca-Cola Company.

ITEM 8. FINANCIAL INFORMATION

Consolidated Financial Statements

See pages F-1 through F-64, incorporated herein by reference.

Dividend Policy

For a discussion of our dividend policy, see "Item 3. Key Information—Dividends" and "Item 10. Additional Information."

Legal Proceedings

We are party to various legal proceedings in the ordinary course of business. Other than as disclosed in this annual report, we are not currently involved in any litigation or arbitration proceeding, including any proceeding that is pending or threatened of which we are aware, which we believe will have, or has had, a material adverse effect on our company. Other legal proceedings that are pending against or involve us and our subsidiaries are incidental to the conduct of our and their business. We believe that the ultimate disposition of such other proceedings individually or on an aggregate basis will not have a material adverse effect on our consolidated financial condition or results of operations.

Coca-Cola FEMSA

Mexico

Antitrust Matters

During 2000, the *Comisión Federal de Competencia* in Mexico (Mexican Antitrust Commission or CFC), pursuant to complaints filed by PepsiCo. and certain of its bottlers in Mexico, began an investigation of The Coca-Cola Company Export Corporation (TCCEC) for alleged monopolistic practices through exclusivity arrangements with certain retailers.

After the corresponding legal proceedings in 2008 in the *Tribunal Colegiado de Circuito* (Mexican Federal Court), a final adverse judgment was rendered against two of the six Mexican Coca-Cola FEMSA subsidiaries involved, upholding a fine of approximately Ps. 10.5 million imposed by CFC on each of the two subsidiaries and ordering immediate suspension of such practices of alleged exclusivity arrangements and conditional dealing. Coca-Cola FEMSA has already paid these two fines and it has established reserves for the other four. The Mexican Supreme Court decided to resolve the proceedings with respect to the complaints against the remaining four subsidiaries, and on June 9, 2010, the Mexican Federal Court ordered the CFC to reconsider certain aspects of these proceedings, which means that the CFC may issue a new resolution of this case, following specific guidelines provided by the Mexican Supreme Court. Coca-Cola FEMSA has not received the full text of this judgment yet. Although we cannot predict the outcome, if any fines are reinstated, we estimate they will not have a material adverse effect on Coca-Cola FEMSA's financial condition or results of operations.

In February 2009, the CFC began a new investigation of alleged monopolistic practices consisting of sparkling beverage sales subject to exclusivity agreements and the granting of discounts and/or benefits in exchange for exclusivity arrangements with certain retailers. As part of this investigation, the CFC has been requiring several Coca-Cola bottlers in Mexico to deliver information regarding their commercial practices and Coca-Cola FEMSA was required to do so in February 2010. In the event that the CFC finds evidence of monopolistic practices, it may begin administrative proceedings against the companies involved. We cannot determine the scope of the investigation at this time.

Central America

Antitrust Matters in Costa Rica

During August 2001, the *Comisión para Promover la Competencia* in Costa Rica (Costa Rican Antitrust Commission), pursuant to a complaint filed by PepsiCo. and its bottler in Costa Rica, initiated an investigation of the sales practices of The Coca-Cola Company and Coca-Cola FEMSA's Costa Rican subsidiary for alleged monopolistic practices in retail distribution, including sales exclusivity arrangements. A ruling from the Costa Rican Antitrust Commission was issued in July 2004, which found Coca-Cola FEMSA's subsidiary in Costa Rica engaged in monopolistic practices with respect to exclusivity arrangements, pricing and the sharing of coolers under certain limited circumstances and imposed a US$ 130,000 fine. Coca-Cola FEMSA's appeal of the Costa Rican Antitrust Commission's ruling was dismissed. Coca-Cola FEMSA has filed judicial proceedings challenging the ruling of the Costa Rican Antitrust Commission and the process is still pending in court. We believe that this matter will not have a material adverse effect on its financial condition or results of operations.

In November, 2004, *Ajecen del Sur S.A.*, the bottler of *Big Cola* in Costa Rica, filed a complaint before the Costa Rican Antitrust Commission related to monopolistic practices in retail distribution and exclusivity agreements against The Coca-Cola Company and Coca-Cola FEMSA's Costa Rican subsidiary. The Costa Rican Antitrust Commission has decided to pursue an investigation. The period for gathering of evidence ended in August 2008, and the final arguments have been filed. Coca-Cola FEMSA expects that the maximum fine that could be imposed is US$ 300 thousand. Coca-Cola FEMSA is waiting for the final resolution to be issued by the Costa Rican Antitrust Commission.

Colombia

Labor Matters

During July 2001, a labor union and several individuals from the Republic of Colombia filed a lawsuit in the U.S. District Court for the Southern District of Florida against certain of Coca-Cola FEMSA's subsidiaries. The plaintiffs alleged that the subsidiaries engaged in wrongful acts against the labor union and its members in Colombia, including kidnapping, torture, death threats and intimidation. The complaint alleges claims under the U.S. Alien Tort Claims Act, Torture Victim Protection Act, Racketeer Influenced and Corrupt Organizations Act and state tort law and seeks injunctive and declaratory relief and damages of more than US$ 500 million, including treble and punitive damages and the cost of the suit, including attorney fees. In September 2006, the federal district court dismissed the complaint with respect to all claims. The plaintiffs appealed and in August 2009, the Appellate Court affirmed the decision in favor of Coca-Cola FEMSA's subsidiaries. The plaintiffs moved for a rehearing, and

in September 2009, the rehearing motion was denied. Plaintiffs attempted to seek reconsideration *en banc*, but so far, the court has not considered it.

Venezuela

Tax Matters

In 1999, some of Coca-Cola FEMSA's Venezuelan subsidiaries received notice of indirect tax claims asserted by the Venezuelan tax authorities. These subsidiaries have taken the appropriate measures against these claims at the administrative level and filed appeals with the Venezuelan courts. The claims currently amount to approximately US$ 21.1 million. Coca-Cola FEMSA has certain rights to indemnification from Venbottling Holding, Inc., a former shareholder of Panamco and The Coca-Cola Company, for a substantial portion of the claims. Coca-Cola FEMSA does not believe that the ultimate resolution of these cases will have a material adverse effect on its financial condition or results of operations.

Brazil

Antitrust Matters

Several claims have been filed against Coca-Cola FEMSA by private parties that allege anticompetitive practices by Coca-Cola FEMSA's Brazilian subsidiaries. The plaintiffs are Ragi (Dolly), a Brazilian producer of "B Brands," and PepsiCo alleging anticompetitive practices by Spal Indústria Brasileira de Bebidas S.A. and Recofarma Indústria do Amazonas Ltda. Of the four claims Dolly filed against Coca-Cola FEMSA, the only one remaining concerns a denial of access to common suppliers. Of the two claims made by PepsiCo, the first concerns exclusivity arrangements at the point of sale, and the second is a corporate espionage allegation against the Pepsi bottler, BAESA, which the Ministry of Economy recommended be dismissed for lack of evidence. Under Brazilian law, each of these claims could result in substantial monetary fines and other penalties, although Coca-Cola FEMSA believes each of the claims is without merit.

Significant Changes

Since December 31, 2009, the following significant changes have occurred in our business, each of which is described in more detail in "Item 5. Operating and Financial Review and Prospects—Recent Developments" and in note 29 to our consolidated financial statements:

- On March 10, 2010, FEMSA announced that subsidiaries of FEMSA have signed an agreement with subsidiaries of The Coca-Cola Company to amend the shareholders agreement for Coca-Cola FEMSA; and
- On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group.

ITEM 9. THE OFFER AND LISTING

Description of Securities

We have three series of capital stock, each with no par value:

- Series B Shares;
- Series D-B Shares; and
- Series D-L Shares.

Series B Shares have full voting rights, and Series D-B and D-L Shares have limited voting rights. The shares of our company are not separable and may be transferred only in the following forms:

- B Units, consisting of five Series B Shares; and
- BD Units, consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares.

At our AGM held on March 29, 2007, our shareholders approved a three-for-one stock split in respect all of our outstanding capital stock. Following the stock split, our total capital stock consists of 2,161,177,770 BD Units and 1,417,048,500 B Units. Our stock split also resulted in a three-for-one stock split of our American Depositary Shares. The stock-split was conduced on a pro-rata basis in respect of all holders of our shares and all ADSs holders of record as of May 25, 2007, and the ratio of voting and non-voting shares was maintained, thereby preserving our ownership structure as it was prior to the stock-split.

On April 22, 2008, FEMSA shareholders approved a proposal to amend our bylaws in order to preserve the unit structure for our shares that has been in place since May 1998, and to maintain our existing share structure beyond May 11, 2008, absent further shareholder action.

Previously, our bylaws provided that on May 11, 2008, each Series D-B Share would automatically convert into one Series B Share with full voting rights, and each Series D-L Share would automatically convert into one Series L Share with limited voting rights. At that time:

- the BD Units and the B Units would cease to exist and the underlying Series B Shares and Series L Shares would be separate; and
- the Series B Shares and Series L Shares would be entitled to share equally in any dividend, and the dividend preferences of the Series D-B Shares and Series D-L Shares of 125% of any amount distributed in respect of each Series B Share existing prior to May 11, 2008, would be terminated.

However, following the April 22, 2008, shareholder approvals, these changes will no longer occur and instead our share and unit structure will remain unchanged, absent shareholder action, as follows:

- the BD Units and the B Units will continue to exist; and
- the dividend preferences of the Series D-B Shares and Series D-L Shares of 125% of any amount distributed in respect of each Series B Share will continue to exist.

The following table sets forth information regarding our capital stock as of April 30, 2010:

Class	Number	Percentage of Capital	Percentage of Full Voting Rights
Series B Shares (no par value)	9,246,420,270	51.68%	100%
Series D-B Shares (no par value)	4,322,355,540	24.16	0
Series D-L Shares (no par value)	4,322,355,540	24.16	0
Total Shares	17,891,131,350	100	100
Units			
BD Units	2,161,177,770	60.4	23.437
B Units	1,417,048,500	39.6	76.63
Total Units	3,578,226,270	100	100

Trading Markets

Since May 11, 1998, ADSs representing BD Units have been listed on the New York Stock Exchange, and the BD Units and the B Units have been listed on the Mexican Stock Exchange. Each ADS represents 10 BD Units deposited under the deposit agreement with the ADS depositary. As of June 18, 2010, approximately 62% of BD Units traded in the form of ADSs.

The New York Stock Exchange trading symbol for the ADSs is "FMX" and the Mexican Stock Exchange trading symbols are "FEMSA UBD" for the BD Units and "FEMSA UB" for the B Units.

Fluctuations in the exchange rate between the Mexican peso and the U.S. dollar have affected the U.S. dollar equivalent of the Mexican peso price of our shares on the Mexican Stock Exchange and, consequently, have also affected the market price of our ADSs. See "Item 3. Key Information—Exchange Rate Information."

Trading on the Mexican Stock Exchange

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a *sociedad anónima bursátil*. Trading on the Mexican Stock Exchange takes place principally through automated systems and is open between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. Trades in securities listed on the Mexican Stock Exchange can also be effected off the exchange. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the BD Units that are directly or indirectly (for example, in the form of ADSs) quoted on a stock exchange (including for these purposes the New York Stock Exchange) outside Mexico.

Settlement is effected three business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the *Comisión Nacional Bancaria y de Valores* (Mexican National Banking and Securities Commission or CNBV). Most securities traded on the Mexican Stock Exchange, including ours, are on deposit with *S.D. Indeval Instituto para el Depósito de Valores S.A. de C.V.*, which we refer to as Indeval, a privately owned securities depositary that acts as a clearinghouse for Mexican Stock Exchange transactions.

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Price History

The following tables set forth, for the periods indicated, the reported high, low and closing sale prices and the average daily trading volumes for the B Units and BD Units on the Mexican Stock Exchange and the reported high, low and closing sale prices and the average daily trading volumes for the ADSs on the New York Stock Exchange.

	B Units [1]					
	Nominal pesos					Average Daily Trading Volume (Units)
	High[2]	Low[2]	Close[3]	FX rate	Close US$[4]	
2005	24.17	15.60	21.67	10.63	2.04	674,773
2006	34.03	23.00	33.33	10.80	3.09	197,478
2007	42.33	31.79	37.00	10.92	3.39	1,814
2008						
First Quarter	41.95	32.00	41.94	10.63	3.95	692
Second Quarter	46.00	40.00	40.00	10.30	3.88	34,993
Third Quarter	44.00	40.00	42.00	10.97	3.83	481
Fourth Quarter	42.00	34.99	34.99	13.83	2.53	7
2009						
First Quarter	34.00	30.50	30.50	14.21	2.15	18
Second Quarter	38.79	31.00	35.60	13.17	2.70	556
Third Quarter	41.00	35.00	38.60	13.48	2.86	363
Fourth Quarter	57.00	38.00	55.00	13.06	4.21	440
October	55.00	38.00	54.49	13.16	4.14	579
November	57.00	54.40	57.00	12.92	4.41	538
December	57.00	55.00	55.00	13.06	4.21	667
2010						
January	55.00	44.00	49.90	13.03	3.83	437
February	49.92	47.00	48.46	12.76	3.80	1,200
March	51.50	48.00	48.50	12.30	3.94	5,047
First Quarter	55.00	44.00	48.50	12.30	3.94	1,900
April	51.00	48.00	51.00	12.23	4.17	5,115
May	50.99	45.05	45.05	12.86	3.50	169
June[5]	50.00	49.98	49.98	12.54	3.98	283

(1) The prices and average daily trading volume for the B Units were taken from Bloomberg and reflect our 3:1 stock split, which was effective May 25, 2007.

(2) High and low closing prices for the periods presented.

(3) Closing price on the last day of the periods presented.

(4) Represents the translation from Mexican pesos to U.S. dollars of the closing price of the B Units on the last day of the periods presented based on the noon buying rate for the purchase of U.S. dollars, as reported by the Federal Reserve Bank of New York using the period-end exchange rate.

(5) Information from June 1 to June 18, 2010.

	BD Units (1)					
	Nominal pesos					Average Daily Trading Volume (Units)
	High(2)	Low(2)	Close(3)	FX rate	Close US$(4)	
2005	26.46	18.63	25.69	10.63	2.42	2,088,995
2006	42.25	25.69	41.72	10.80	3.86	2,368,706
2007	48.58	32.73	41.70	10.92	3.82	3,889,800
2008						
First Quarter	46.53	36.13	44.77	10.63	4.21	3,197,835
Second Quarter	49.19	42.77	46.96	10.30	4.56	3,037,459
Third Quarter	49.16	38.50	41.58	10.97	3.79	2,743,194
Fourth Quarter	42.03	26.10	41.37	13.83	2.99	3,394,665
2009						
First Quarter	44.24	30.49	35.86	14.21	2.52	3,032,889
Second Quarter	45.99	35.32	42.41	13.17	3.22	2,833,756
Third Quarter	52.26	40.98	51.38	13.48	3.81	2,637,506
Fourth Quarter	63.20	55.92	62.65	13.06	4.80	3,552,563
October	62.53	55.92	55.99	13.16	4.26	4,060,068
November	59.15	56.63	58.88	12.92	4.56	3,740,842
December	63.20	59.77	62.65	13.06	4.80	2.882,455
2010						
January	64.39	54.29	55.36	13.03	4.25	5,766,620
February	55.12	53.33	54.86	12.76	4.30	3,353,689
March	59.83	55.89	59.03	12.30	4.80	3,543,818
First Quarter	64.39	53.33	59.03	12.30	4.80	4,213,385
April	59.69	56.98	58.39	12.23	4.78	3,195,390
May	57.76	53.54	56.49	12.86	4.39	3,427,210
June(5)	59.03	54.61	59.03	12.54	4.71	2,466,750

(1) The prices and average daily trading volume for the BD Units were taken from Bloomberg and reflect our 3:1 stock split, which was effective May 25, 2007.

(2) High and low closing prices for the periods presented.

(3) Closing price on the last day of the periods presented.

(4) Represents the translation from Mexican pesos to U.S. dollars of the closing price of the BD Units on the last day of the periods presented based on the noon buying rate for the purchase of U.S. dollars, as reported by the Federal Reserve Bank of New York using the period-end exchange rate.

(5) Information from June 1, 2010 to June 18, 2010.

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	ADSs[1]			
	U.S. dollars			Average Daily Trading Volume (ADSs)
	High[2]	Low[2]	Close[3]	
2005	24.58	16.97	24.17	986,032
2006	39.17	24.41	38.59	1,159,232
2007	44.42	29.96	38.17	1,350,303
2008				
First Quarter	43.35	33.37	41.78	1,173,074
Second Quarter	47.48	41.58	45.51	1,156,991
Third Quarter	49.39	35.07	38.14	1,408,044
Fourth Quarter	38.17	19.25	30.13	1,539,345
2009				
First Quarter	32.06	19.91	25.21	1,168,072
Second Quarter	34.96	25.27	32.24	820,917
Third Quarter	40.01	30.58	38.05	899,509
Fourth Quarter	49.00	42.65	47.88	1,859,885
October	45.98	42.95	43.31	3,002,220
November	45.69	42.65	45.51	1,425,004
December	49.00	46.52	47.88	1,112,896
2010				
January	50.01	41.72	42.16	2,140,702
February	42.80	40.82	42.80	1,068,725
March	47.59	43.74	47.53	1,047,073
First Quarter	50.01	40.82	47.53	1,394,455
April	48.75	46.01	47.33	843,109
May	46.97	40.73	42.18	1,025,424
June[4]	46.98	41.93	46.98	728,891

(1) Each ADS is comprised of 10 BD Units. Prices and average daily trading volume were taken from Bloomberg and reflect our 3:1 stock split, which was effective May 25, 2007.

(2) High and low closing prices for the periods presented.

(3) Closing price on the last day of the periods presented.

(4) Information from June 1 to June 18, 2010.

ITEM 10. ADDITIONAL INFORMATION

Bylaws

The following is a summary of the material provisions of our bylaws and applicable Mexican law. Our bylaws were last amended on April 22, 2008. For a description of the provisions of our bylaws relating to our board of directors and executive officers, see "Item 6. Directors, Senior Management and Employees."

Organization and Registry

We are a *sociedad anónima bursátil de capital variable* organized in Mexico under the Mexican General Corporations Law. We were incorporated in 1936 under the name Valores Industriales, S.A., as a *sociedad anónima*, and are currently named Fomento Económico Mexicano, S.A.B. de C.V. We are registered in the *Registro Público de la Propiedad y del Comerio* (Public Registry of Property and Commerce) of Monterrey, Nuevo León under the mercantile electronic number 1044*9.

Voting Rights and Certain Minority Rights

Each Series B Share entitles its holder to one vote at any of our ordinary or extraordinary general shareholders meetings. Our bylaws state that the board of directors must be composed of no more than 21 members. Holders of Series B Shares are entitled to elect at least 11 members of our board of directors. Holders of Series D Shares are entitled to elect five members of our board of directors. Our bylaws also contemplate that, should a conversion of the Series D-L Shares to Series L Shares occur pursuant to the vote of our Series D-B and Series D-L shareholders at special and extraordinary shareholders meetings, the holders of Series D-L shares (who would become holders of newly-issued Series L Shares) will be entitled to elect two members of the board of directors. None of our shares has cumulative voting rights, which is a right not regulated under Mexican law.

Under our bylaws, the holders of Series D Shares are entitled to vote at extraordinary shareholders meetings called to consider any of the following limited matters: (1) the transformation from one form of corporate organization to another, other than from a company with variable capital stock to a company without variable capital stock or vice versa, (2) any merger in which we are not the surviving entity or with other entities whose principal corporate purposes are different from those of our company or our subsidiaries, (3) change of our jurisdiction of incorporation, (4) dissolution and liquidation and (5) the cancellation of the registration of the Series D Shares or Series L Shares in the Mexican Stock Exchange or in any other foreign stock market where listed, except in the case of the conversion of these shares as provided for in our bylaws.

Holders of Series D Shares are also entitled to vote on the matters that they are expressly authorized to vote on by the Mexican Securities Law and at any extraordinary shareholders meeting called to consider any of the following matters:

- To approve a conversion of all of the outstanding Series D-B Shares and Series D-L Shares into Series B shares with full voting rights and Series L Shares with limited voting rights, respectively.
- To agree to the unbundling of their share Units.

This conversion and/or unbundling of shares would become effective two (2) years after the date on which the shareholders agreed to such conversion and/or unbundling.

Under Mexican law, holders of shares of any series are entitled to vote as a class in a special meeting governed by the same rules that apply to extraordinary shareholders meetings on any action that would have an effect on the rights of holders of shares of such series. There are no procedures for determining whether a particular proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination.

The Mexican Securities Law, the Mexican General Corporations Law and our bylaws provide for certain minority shareholder protections. These minority protections include provisions that permit:

- holders of at least 10% of our outstanding capital stock entitled to vote, including in a limited or restricted manner, to require the chairman of the board of directors or of the audit or corporate practices Committees to call a shareholders' meeting;
- holders of at least 5% of our outstanding capital stock, including limited or restricted vote, may bring an action for liabilities against our directors, the secretary of the board of directors or the relevant officers;
- holders of at least 10% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, at any shareholders meeting to request that resolutions with respect to any matter on which they considered they were not sufficiently informed be postponed;
- holders of 20% of our outstanding capital stock to oppose any resolution adopted at a shareholders meeting in which they are entitled to vote, including limited or restricted vote, and file a petition for a court order to suspend the resolution temporarily within 15 days following the adjournment of the meeting at which the action was taken, provided that (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (3) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; and
- holders of at least 10% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, to appoint one member of our board of directors and one alternate member of our board of directors.

Shareholders Meetings

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary meetings are those called to consider certain matters specified in Article 182 and 228 BIS of the Mexican General Corporations Law, Articles 53 and 108(II) of the Mexican Securities Law and in our bylaws. These matters include: amendments to our bylaws, liquidation, dissolution, merger and transformation from one form of corporate organization to another, issuance of preferred stock and increases and reductions of the fixed portion of our capital stock. In addition, our bylaws require an extraordinary meeting to consider the cancellation of the registration of shares with the Mexican Registry of Securities, or RNV or with other foreign stock exchanges on which our shares may be listed, the amortization of distributable earnings into capital stock, and an increase in our capital stock in terms of the Mexican Securities Law. General meetings called to consider all other matters, including increases or decreases affecting the variable portion of our capital stock, are ordinary meetings. An ordinary meeting must be held at least once each year within the first four months following the end of the preceding fiscal year. Holders of BD Units or B Units are entitled to attend all shareholders meetings of the Series B Shares and Series D Shares and to vote on matters that are subject to the vote of holders of the underlying shares.

The quorum for an ordinary shareholders meeting on first call is more than 50% of the Series B Shares, and action may be taken by a majority of the Series B Shares represented at the meeting. If a quorum is not available, a second or subsequent meeting may be called and held by whatever number of Series B Shares is represented at the meeting, at which meeting action may be taken by a majority of the Series B Shares that are represented at the meeting.

The quorum for an extraordinary shareholders meeting is at least 75% of the shares entitled to vote at the meeting, and action may be taken by a vote of the majority of all the outstanding shares that are entitled to vote. If a quorum is not available, a second meeting may be called, at which the quorum will be the majority of the outstanding capital stock entitled to vote, and actions will be taken by holders of the majority of all the outstanding capital stock entitled to vote.

Shareholders meetings may be called by the board of directors, the audit committee or the corporate practices committee and, under certain circumstances, a Mexican court. Holders of 10% or more of our capital stock may require the chairman of the board of directors, or the chairman of the audit or corporate practices committees to call a shareholders meeting. A notice of meeting and an agenda must be published in the *Periódico Oficial del Estado de Nuevo León* (Official State Gazette of Nuevo León) or a newspaper of general circulation in Monterrey, Nuevo León, Mexico at least 15 days prior to the date set for the meeting. Notices must set forth the place, date and time of the meeting and the matters to be addressed and must be signed by whomever convened the meeting. Shareholders meetings will be deemed validly held and convened without a prior notice or publication whenever all the shares representing our capital stock are fully represented. All relevant information relating to the shareholders meeting must be made available to shareholders starting on the date of publication of the notice. To attend a meeting, shareholders must deposit their shares with the company or with Indeval or an institution for the deposit of securities prior to the meeting as indicated in the notice. If entitled to attend a meeting, a shareholder may be represented by an attorney-in-fact.

In addition to the provisions of the Mexican General Corporations Law, the ordinary shareholders meeting shall be convened to approve any transaction that, in a fiscal year, represents 20% or more of the consolidated assets of the company as of the immediately prior quarter, whether such transaction is executed in one or several operations. All shareholders shall be entitled to vote on in such ordinary shareholders meeting, including those with limited or restricted voting rights.

Dividend Rights

At the AGM, the board of directors submits the financial statements of the company for the previous fiscal year, together with a report thereon by the board of directors. Once the holders of Series B Shares have approved the financial statements, they determine the allocation of our net profits for the preceding year. Mexican law requires the allocation of at least 5% of net profits to a legal reserve, which is not subsequently available for distribution, until the amount of the legal reserve equals 20% of our paid in capital stock. Thereafter, the holders of Series B Shares may determine and allocate a certain percentage of net profits to any general or special reserve, including a reserve for open-market purchases of our shares. The remainder of net profits is available for distribution in the form of dividends to the shareholders. Dividends may only be paid if net profits are sufficient to offset losses from prior fiscal years.

Our bylaws provide that dividends will be allocated among the shares outstanding and fully paid at the time a dividend is declared in such manner that each Series D-B Share and Series D-L Share receives 125% of the dividend distributed in respect of each Series B Share. Holders of Series D-B Shares and Series D-L Shares are entitled to this dividend premium in connection with all dividends paid by us.

Change in Capital

Our outstanding capital stock consists of both a fixed and a variable portion. The fixed portion of our capital stock may be increased or decreased only by an amendment of the bylaws adopted by an extraordinary shareholders meeting. The variable portion of our capital stock may be increased or decreased by resolution of an ordinary shareholders meeting. Capital increases and decreases must be recorded in our share registry and book of capital variations, if applicable.

A capital stock increase may be effected through the issuance of new shares for payment in cash or in kind, or by capitalization of indebtedness or of certain items of stockholders' equity. Treasury stock may only be sold pursuant to a public offering.

Any increase or decrease in our capital stock or any redemption or repurchase will be subject to the following limitations: (1) Series B Shares will always represent at least 51% of our outstanding capital stock and the Series D-L Shares and Series L Shares will never represent more than 25% of our outstanding capital stock; and (2) the Series D-B, Series D-L and Series L Shares will not exceed, in the aggregate, 49% of our outstanding capital stock.

Preemptive Rights

Under Mexican law, except in limited circumstances which are described below, in the event of an increase in our capital stock, a holder of record generally has the right to subscribe to shares of a series held by such holder sufficient to maintain such holder's existing proportionate holding of shares of that series. Preemptive rights must be exercised during a term fixed by the shareholders at the meeting declaring the capital increase, which term must last at least 15 days following the publication of notice of the capital increase in the Official State Gazette. As a result of applicable United States securities laws, holders of ADSs may be restricted in their ability to participate in the exercise of preemptive rights under the terms of the deposit agreement. Shares subject to a preemptive rights offering, with respect to which preemptive rights have not been exercised, may be sold by us to third parties on the same terms and conditions previously approved by the shareholders or the board of directors. Under Mexican law, preemptive rights cannot be waived in advance or be assigned, or be represented by an instrument that is negotiable separately from the corresponding shares.

Our bylaws provide that shareholders will not have preemptive rights to subscribe shares in the event of a capital stock increase or listing of treasury stock in the following events: (i) merger of the Company; (ii) conversion of obligations in terms of the Mexican General Credit Instruments and Credit Operations Law (*Ley General de Títulos y Operaciones de Crédito*); (iii) public offering in terms of articles 53, 56 and related provisions of the Mexican Securities Law; and (iv) capital increase made through the payment in kind of the issued shares or through the cancellation of debt of the Company.

Limitations on Share Ownership

Ownership by non-Mexican nationals of shares of Mexican companies is regulated by the Foreign Investment Law and its regulations. The Foreign Investment Commission is responsible for the administration of the Foreign Investment Law and its regulations.

As a general rule, the Foreign Investment Law allows foreign holdings of up to 100% of the capital stock of Mexican companies, except for those companies engaged in certain specified restricted industries. The Foreign Investment Law and its regulations require that Mexican shareholders retain the power to determine the administrative control and the management of corporations in industries in which special restrictions on foreign holdings are applicable. Foreign investment in our shares is not limited under either the Foreign Investment Law or its regulations.

Management of the Company

Management of the company is entrusted to the board of directors and also to the chief executive officer, who is required to follow the strategies, policies and guidelines approved by the board of directors and the authority, obligations and duties expressly authorized in the Mexican Securities Law.

At least 25% of the members of the board of directors shall be independent. Independence of the members of the board of directors is determined by the shareholders meeting, subject to the CNBV's challenge of such determination. In the performance of its responsibilities, the board of directors will be supported by a corporate practices committee and an audit committee. The corporate practices committee and the audit committee consist solely of independent directors. Each committee is formed by at least three board members appointed by the shareholders or by the board of directors as proposed by the chairman of the board. The chairmen of said committees are appointed (taking into consideration their experience, capacity and professional prestige) and removed exclusively by a vote in a shareholders meeting or by the board of directors as proposed by the chairman of the board.

Surveillance

Surveillance of the company is entrusted to the board of directors, which shall be supported in the performance of these functions by the corporate practices committee, the audit committee and our external auditor.

The external auditor has the ability to attend board of directors meetings as an observer, with a right to participate but without voting rights.

Authority of the Board of Directors

The board of directors is our legal representative and is authorized to take any action in connection with our operations not expressly reserved to our shareholders. Pursuant to the Mexican Securities Law, the board of directors must approve, *observing at all moments their duty of care and duty of loyalty*, among other matters:

- any transactions with related parties outside the ordinary course of our business
- significant asset transfers or acquisitions;
- material guarantees or collateral;
- internal policies; and
- other material transactions.

Meetings of the board of directors are validly convened and held if a majority of the members are present. Resolutions passed at these meetings will be valid if approved by a majority of members of the board of directors are present at the meeting. If required, the chairman of the board of directors may cast a tie-breaking vote.

Redemption

We may redeem part of our shares for cancellation with distributable earnings pursuant to a decision of an extraordinary shareholders meeting. Only shares subscribed and fully paid for may be redeemed. Any shares intended to be redeemed shall be purchased on the Mexican Stock Exchange in accordance with the Mexican General Corporations Law and the Mexican Securities Law. No shares will be redeemed, if as a consequence of such redemption, the Series D and Series L Shares in the aggregate exceed the percentages permitted by our bylaws or if any such redemption will reduce our fixed capital below its minimum.

Repurchase of Shares

According to our bylaws, subject to the provisions of the Mexican Securities Law and under rules promulgated by the CNBV, we may repurchase our shares.

In accordance with the Mexican Securities Law, our subsidiaries may not purchase, directly or indirectly, shares of our capital stock or any security that represents such shares.

Forfeiture of Shares

As required by Mexican law, our bylaws provide that non-Mexican holders of BD Units, B Units or shares (1) are considered to be Mexican with respect to such shares that they acquire or hold and (2) may not invoke the protection of their own governments in respect of the investment represented by those shares. Failure to comply with our bylaws may result in a penalty of forfeiture of a shareholder’s capital stock in favor of the Mexican state. In the opinion of Carlos E. Aldrete Ancira, our general counsel, under this provision, a non-Mexican shareholder (including a non-Mexican holder of ADSs) is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican state with respect to its rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the United States securities laws, with respect to its investment in our company. If a shareholder should invoke governmental protection in violation of this agreement, its shares could be forfeited to the Mexican state.

Duration

The bylaws provide that the duration of our company is 99 years, commencing on May 30, 1936, unless extended by a resolution of an extraordinary shareholders meeting.

Appraisal Rights

Whenever the shareholders approve a change of corporate purpose, change of jurisdiction of incorporation or the transformation from one form of corporate organization to another, any shareholder entitled to vote on such change that has voted against it, may withdraw as a shareholder of our company and have its shares redeemed by FEMSA at a price per share calculated as specified under applicable Mexican law, provided that it exercises its right within 15 days following the adjournment of the meeting at which the change was approved. Under Mexican law, the amount which a withdrawing shareholder is entitled to receive is equal to its proportionate interest in our capital stock or according to our most recent balance sheet approved by an ordinary general shareholders meeting.

Delisting of Shares

In the event of a cancellation of the registration of any of our shares with the RNV, whether by order of the CNBV or at our request with the prior consent of 95% of the holders of our outstanding capital stock, our bylaws and the new Mexican Securities Law require us to make a public offer to acquire these shares prior to their cancellation.

Liquidation

Upon the dissolution of our company, one or more liquidators must be appointed by an extraordinary general meeting of the shareholders to wind up its affairs. All fully paid and outstanding shares of capital stock will be entitled to participate equally in any distribution upon liquidation.

Actions Against Directors

Shareholders (including holders of Series D-B and Series D-L Shares) representing, in the aggregate, not less than 5% of our capital stock may directly bring an action against directors.

In the event of actions derived from any breach of the duty of care and the duty of loyalty, liability is exclusively in favor of the company. The Mexican Securities Law, establishes that liability may be imposed on the members and the secretary of the board of directors, as well as to the relevant officers.

Notwithstanding, the Mexican Securities Law provides that the members of the board of directors will not incur, individually or jointly, liability for damages and losses caused to the company, when their acts were made in good faith, in any of the following events (1) the directors complied with the requirements of the Mexican Securities Law and with the company's bylaws, (2) the decision making or voting was based on information provided by the relevant officers, the external auditor or the independent experts, whose capacity and credibility do not offer reasonable doubt; (3) the negative economic effects could not have been foreseen, based on the information available; and (4) they comply with the resolutions of the shareholders' meeting when such resolutions comply with applicable law.

Fiduciary Duties—Duty of Care

The Mexican Securities Law provides that the directors shall act in good faith and in our best interest and in the best interest of our subsidiaries. In order to fulfill its duty, the board of directors may:

- request information about us or our subsidiaries that is reasonably necessary to fulfill its duties;
- require our officers and certain other persons, including the external auditors, to appear at board of directors' meetings to report to the board of directors;

- postpone board of directors' meetings for up to three days when a director has not been given sufficient notice of the meeting or in the event that a director has not been provided with the information provided to the other directors; and
- require a matter be discussed and voted upon by the full board of directors in the presence of the secretary of the board of directors.

Our directors may be liable for damages for failing to comply their duty of care if such failure causes economic damage to us or our subsidiaries and the director (1) failed to attend, board of directors' or committee meetings and as a result of, such failure, the board of directors was unable to take action, unless such absence is approved by the shareholders meeting, (2) failed to disclose to the board of directors or the committees material information necessary for the board of directors to reach a decision, unless legally or contractually prohibited from doing so in order to maintain confidentiality, and (3) failed to comply with the duties imposed by the Mexican Securities Law or our bylaws.

Fiduciary Duties—Duty of Loyalty

The Mexican Securities Law provides that the directors and secretary of the board of directors shall keep confidential any non-public information and matters about which they have knowledge as a result of their position. Also, directors should abstain from participating, attending or voting at meetings related to matters where they have a conflict of interest.

The directors and secretary of the board of directors will be deemed to have violated the duty of loyalty, and will be liable for damages, when they obtain an economic benefit by virtue of their position. Further, the directors will fail to comply with their duty of loyalty if they:

- vote at a board of directors' meeting or take any action on a matter involving our assets where there is a conflict of interest;
- fail to disclose a conflict of interest during a board of directors' meeting;
- enter into an voting arrangement to support a particular shareholder or group of shareholders against the other shareholders;
- approve of transactions without complying with the requirements of the Mexican Securities Law;
- use company property in violation of the policies approved by the board of directors;
- unlawfully use material non-public information; and
- usurp a corporate opportunity for their own benefit or the benefit of third parties, without the prior approval of the board of directors.

Limited Liability

The liability of shareholders for our company's losses is limited to their shareholdings in our company.

Taxation

The following summary contains a description of certain U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of our ADSs by a holder that is a citizen or resident of the United States, a U.S. domestic corporation or a person or entity that otherwise will be subject to U.S. federal income tax on a net income basis in respect of our ADSs, whom we refer to as a U.S. holder, but it does not purport to be a description of all of the possible tax considerations that may be relevant to a decision to purchase, hold or dispose of ADSs. In particular, this discussion does not address all Mexican or U.S. federal income tax considerations that

may be relevant to a particular investor, nor does it address the special tax rules applicable to certain categories of investors, such as banks, dealers, traders who elect to mark to market, tax-exempt entities, insurance companies, certain short-term holders of ADSs or investors who hold our ADSs as part of a hedge, straddle, conversion or integrated transaction or investors who have a "functional currency" other than the U.S. dollar. This summary deals only with U.S. holders that will hold our ADSs as capital assets and does not address the tax treatment of a U.S. holder that owns or is treated as owning 10% or more of the voting shares (including ADSs) of the company.

This summary is based upon the federal tax laws of the United States and Mexico as in effect on the date of this annual report, including the provisions of the income tax treaty between the United States and Mexico which we refer to as the Tax Treaty, which are subject to change. The summary does not address any tax consequences under the laws of any state or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States. Holders of our ADSs should consult their tax advisors as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of ADSs, including, in particular, the effect of any foreign, state or local tax laws.

Mexican Taxation

For purposes of this summary, the term "non-resident holder" means a holder that is not a resident of Mexico for tax purposes and that does not hold our ADSs in connection with the conduct of a trade or business through a permanent establishment for tax purposes in Mexico. For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, or if he or she has another home outside Mexico, but his or her *Centro de Intereses Vitales* (Center of Vital Interests) (as defined in the Mexican Tax Code) is located in Mexico and, among other circumstances, more than 50% of that person's total income during a calendar year comes from within Mexico. A legal entity is a resident of Mexico either if it has its principal place of business or its place of effective management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless he or she can demonstrate that the contrary is true. If a legal entity or an individual is deemed to have a permanent establishment in Mexico for tax purposes, all income attributable to the permanent establishment will be subject to Mexican taxes, in accordance with applicable tax laws.

Taxation of Dividends. Under Mexican income tax law, dividends, either in cash or in kind, paid with respect to our shares represented by our ADSs are not subject to Mexican withholding tax.

Taxation of Dispositions of ADSs. Gains from the sale or disposition of ADSs by non-resident holders will not be subject to Mexican tax, if the disposition is carried out through a stock exchange recognized under applicable Mexican tax law.

In compliance with certain requirements, gains on the sale or other disposition of ADSs made in circumstances different from those set forth in the prior paragraph generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor. However, under the Tax Treaty, a holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of our ADSs in a transaction that is not carried out through the Mexican Stock Exchange or other approved securities markets, so long as the holder did not own, directly or indirectly, 25% or more of our outstanding capital stock (including shares represented by our ADSs) within the 12-month period preceding such sale or other disposition. Deposits of shares in exchange for ADSs and withdrawals of shares in exchange for our ADSs will not give rise to Mexican tax.

Other Mexican Taxes. There are no Mexican inheritance, gift, succession or value added taxes applicable to the ownership, transfer, exchange or disposition of our ADSs. There are no Mexican stamp, issue, registration or similar taxes or duties payable by holders of our ADSs.

United States Taxation

Taxation of Dividends. The gross amount of any dividends paid with respect to our shares represented by our ADSs generally will be included in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the ADS depositary and will not be eligible for the dividends received deduction

allowed to corporations under the Internal Revenue Code of 1986, as amended. Dividends, which will be paid in Mexican pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated, in general, by reference to the exchange rate in effect on the date that they are received by the ADS depositary (regardless of whether such Mexican pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. holders should consult their tax advisors regarding the treatment of the foreign currency gain or loss, if any, on any Mexican pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder in respect of the ADSs for taxable years beginning before January 1, 2011 is subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (1) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules and (2) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company. The income tax treaty between Mexico and the United States has been approved for the purposes of the qualified dividend rules. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a passive foreign investment company for U.S. federal income tax purposes with respect to our 2008 taxable year. In addition, based on our audited consolidated financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a passive foreign investment company for our 2009 taxable year. Dividends generally will constitute foreign source "passive income" for U.S. foreign tax credit purposes.

Distributions to holders of additional shares with respect to our ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

A holder of ADSs that is, with respect to the United States, a foreign corporation or non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on dividends received on ADSs unless such income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States.

Taxation of Capital Gains. A gain or loss realized by a U.S. holder on the sale or other disposition of ADSs will be subject to U.S. federal income taxation as a capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's tax basis in the ADSs. Any such gain or loss will be a long-term capital gain or loss if the ADSs were held for more than one year on the date of such sale. Any long-term capital gain recognized by a U.S. holder that is an individual is subject to a reduced rate of federal income taxation. The deduction of capital losses is subject to limitations for U.S. federal income tax purposes. Deposits and withdrawals of shares by U.S. holders in exchange for ADSs will not result in the realization of gains or losses for U.S. federal income tax purposes.

Any gain realized by a U.S. holder on the sale or other disposition of ADSs will be treated as U.S. source income for U.S. foreign tax credit purposes.

A non-U.S. holder of ADSs will not be subject to U.S. federal income or withholding tax on any gain realized on the sale of ADSs, unless (1) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States, or (2) in the case of a gain realized by an individual non-U.S. holder, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

United States Backup Withholding and Information Reporting. A U.S. holder of ADSs may, under certain circumstances, be subject to "backup withholding" with respect to certain payments to such U.S. holder, such as dividends, interest or the proceeds of a sale or disposition of ADSs, unless such holder (1) is a corporation or comes within certain exempt categories, and demonstrates this fact when so required, or (2) provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules does not constitute a separate tax and will be creditable against the holder's U.S. federal income tax liability. While non-U.S. holders generally are exempt from backup withholding, a non-U.S. holder may, in certain circumstances, be required to comply with certain information and identification procedures in order to prove this exemption.

Material Contracts

We and our subsidiaries are parties to a variety of material agreements with third parties, including shareholders' agreements, supply agreements and purchase and service agreements. Set forth below are summaries of the material terms of such agreements. The actual agreements have either been filed as exhibits to, or incorporated by reference in, this annual report. See "Item 19. Exhibits."

Material Contracts Relating to Coca-Cola FEMSA

Shareholders Agreement

Coca-Cola FEMSA operates pursuant to a shareholders agreement among two subsidiaries of FEMSA, The Coca-Cola Company and certain of its subsidiaries. This agreement, together with Coca-Cola FEMSA's bylaws, sets forth the basic rules under which Coca-Cola FEMSA operates.

In February 2010, Coca-Cola FEMSA's main shareholders, FEMSA and The Coca-Cola Company, amended the shareholders agreement, and Coca-Cola FEMSA's by-laws were amended accordingly. The amendment mainly relates to changes in the voting requirements for decisions on: (1) ordinary operations within an annual business plan and (2) appointment of the chief executive officer and all officers reporting to him, all of which now may be taken by the board of directors by simple majority voting. Also, the amendment provides that payment of dividends, up to an amount equivalent to 20% of the preceding years' accumulated net income, may be approved by a simple majority of the shareholders. Any decision on extraordinary matters, as they are defined in Coca-Cola FEMSA's by-laws and which include any new business acquisition, business combinations or any change in the existing line of business, among other things, in an amount exceeding US$ 100 million shall require the approval of the majority of the members of the board of directors, with the vote of two of the members appointed by The Coca-Cola Company. Also, any decision related to such extraordinary matters or any payment of dividends above 20% of the preceding years' accumulated net income shall require the approval of the majority of the shareholders of each of Series A and Series D Shares voting together as a single class, a majority of which must include the majority of the Series D shareholders.

Under Coca-Cola FEMSA's bylaws, its Series A Shares and Series D Shares are the only shares with full voting rights and, therefore, control actions by its shareholders. The shareholders agreement sets forth the principal shareholders' understanding as to the effect of adverse actions of The Coca-Cola Company under the bottler agreements. Coca-Cola FEMSA's bylaws provide that a majority of the directors appointed by the holders of Series A Shares, upon making a reasonable, good faith determination that any action of The Coca-Cola Company under any bottler agreement between The Coca-Cola Company and Coca-Cola FEMSA or any of its subsidiaries is materially adverse to Coca-Cola FEMSA's business interests and that The Coca-Cola Company has failed to cure such action within 60 days of notice, may declare a simple majority period at any time within 90 days after giving notice. During the "simple majority period," as defined in Coca-Cola FEMSA's bylaws, certain decisions, namely the approval of material changes in Coca-Cola FEMSA's business plans, the introduction of a new, or termination of an existing, line of business, and related party transactions outside the ordinary course of business, to the extent the presence and approval of at least two Series D directors would otherwise be required, can be made by a simple majority vote of its entire board of directors, without requiring the presence or approval of any Series D director. A majority of the Series A directors may terminate a simple majority period but, once having done so, cannot declare another simple majority period for one year after the termination. If a simple majority period persists for one year or more, the provisions of the shareholders agreement for resolution of irreconcilable differences may be triggered, with the consequences outlined in the following paragraph.

In addition to the rights of first refusal provided for in Coca-Cola FEMSA's bylaws regarding proposed transfers of Series A Shares or Series D Shares, the shareholders agreement contemplates three circumstances under which one principal shareholder may purchase the interest of the other in Coca-Cola FEMSA: (1) a change in control in a principal shareholder; (2) the existence of irreconcilable differences between the principal shareholders; or (3) the occurrence of certain specified defaults.

In the event that (1) one of the principal shareholders buys the other's interest in Coca-Cola FEMSA in any of the circumstances described above or (2) the ownership of Coca-Cola FEMSA's shares of capital stock other than

the Series L Shares of the subsidiaries of The Coca-Cola Company or FEMSA is reduced below 20% and upon the request of the shareholder whose interest is not so reduced, the shareholders agreement requires that Coca-Cola FEMSA's bylaws be amended to eliminate all share transfer restrictions and all special-majority voting and quorum requirements, after which the shareholders agreement would terminate.

The shareholders agreement also contains provisions relating to the principal shareholders' understanding as to Coca-Cola FEMSA's growth. It states that it is The Coca-Cola Company's intention that Coca-Cola FEMSA will be viewed as one of a small number of its "anchor" bottlers in Latin America. In particular, the parties agree that it is desirable that Coca-Cola FEMSA expands by acquiring additional bottler territories in Mexico and other Latin American countries in the event any become available through horizontal growth. In addition, The Coca-Cola Company has agreed, subject to a number of conditions, that if it obtains ownership of a bottler territory that fits with Coca-Cola FEMSA's operations, it will give Coca-Cola FEMSA the option to acquire such territory. The Coca-Cola Company has also agreed to support prudent and sound modifications to Coca-Cola FEMSA's capital structure to support horizontal growth. The Coca-Cola Company's agreement as to horizontal growth expires upon either the elimination of the super-majority voting requirements described above or The Coca-Cola Company's election to terminate the agreement as a result of a default.

The Coca-Cola Memorandum

In connection with the acquisition of Panamco, in 2003, Coca-Cola FEMSA established certain understandings primarily relating to operational and business issues with both The Coca-Cola Company and our company that were memorialized in writing prior to completion of the acquisition. The terms are as follows:

- The current shareholder arrangements between directly wholly-owned subsidiaries of our company and The Coca-Cola Company will continue in place. See "—Shareholders Agreement."
- We will continue to consolidate Coca-Cola FEMSA's financial results under Mexican Financial Reporting Standards.
- The Coca-Cola Company and our company will continue to discuss in good faith the possibility of implementing changes to Coca-Cola FEMSA's capital structure in the future.
- There will be no changes in concentrate pricing or marketing support by The Coca-Cola Company up to May 2004. After such time, The Coca-Cola Company has complete discretion to implement any changes with respect to these matters, but any decision in this regard will be discussed with Coca-Cola FEMSA and will take Coca-Cola FEMSA's operating condition into consideration. In 2005, The Coca-Cola Company decided to gradually increase concentrate prices for sparkling beverages over a three-year period in Brazil beginning in 2006 and in Mexico beginning in 2007. These increases were fully implemented in Brazil 2008 and in Mexico in 2009.
- The Coca-Cola Company may require the establishment of a different long-term strategy for Brazil. If, after taking into account our performance in Brazil, The Coca-Cola Company does not consider us to be part of this long-term strategic solution for Brazil, then we will sell our Brazilian franchise to The Coca-Cola Company or its designee at fair market value. Fair market value would be determined by independent investment bankers retained by each party at their own expense pursuant to specified procedures.
- FEMSA, The Coca-Cola Company and Coca-Cola FEMSA will meet to discuss the optimal Latin American territorial configuration for the Coca-Cola bottler system. During these meetings, Coca-Cola FEMSA will consider all possible combinations and any asset swap transactions that may arise from these discussions. In addition, Coca-Cola FEMSA will entertain any potential combination as long as it is strategically sound and done at fair market value.

- Coca-Cola FEMSA would like to keep open strategic alternatives that relate to the integration of sparkling beverages and beer. The Coca-Cola Company, our company and Coca-Cola FEMSA would explore these alternatives on a market-by-market basis at the appropriate time.
- The Coca-Cola Company agreed to sell to a subsidiary of our company sufficient shares to permit FEMSA to beneficially own 51% of Coca-Cola FEMSA's outstanding capital stock (assuming that this subsidiary of FEMSA does not sell any shares and that there are no issuances of Coca-Cola FEMSA's stock other than as contemplated by the acquisition). As a result of this understanding, on November 3, 2006, FEMSA acquired, through a subsidiary, 148,000,000 of Coca-Cola FEMSA's Series D shares from certain subsidiaries of The Coca-Cola Company, representing 9.4% of the total outstanding voting shares and 8.02% of the total outstanding equity of Coca-Cola FEMSA, at a price of US$ 2.888 per share for an aggregate amount of US$ 427.4 million. Pursuant to Coca-Cola FEMSA's bylaws, the acquired shares were converted from Series D Shares to Series A Shares.
- Coca-Cola FEMSA may be entering some markets where significant infrastructure investment may be required. The Coca-Cola Company and FEMSA will conduct a joint study that will outline strategies for these markets, as well as the investment levels required to execute these strategies. Subsequently, it is intended that our company and The Coca-Cola Company will reach agreement on the level of funding to be provided by each of the partners. The parties intend that this allocation of funding responsibilities would not be overly burdensome for either partner.
- Coca-Cola FEMSA entered into a stand-by credit facility, on December 19, 2003 with The Coca-Cola Export Corporation, which expired in December 2006 and was never used.

Cooperation Framework with The Coca-Cola Company

On September 1, 2006, Coca-Cola FEMSA and The Coca-Cola Company arrived at a comprehensive cooperation framework for a new stage of collaboration going forward. This new framework includes the main aspects of Coca-Cola FEMSA's relationship with The Coca-Cola Company and defines the terms for the new collaborative business model. The framework is structured around three main objectives:

- *Sustainable growth of sparkling beverages, still beverages and bottled water*: Together with The Coca-Cola Company, Coca-Cola FEMSA has defined a platform to jointly pursue incremental growth in the sparkling beverage category, as well as accelerated development of still beverages and bottled water across Latin America. To this end, The Coca-Cola Company will provide a relevant portion of the funds derived from the concentrate increase for marketing support of the entire portfolio. In addition, the new framework contemplates a new, all-encompassing business model for the development of still beverages that further aligns Coca-Cola FEMSA's and The Coca-Cola Company's objectives and should contribute to incremental long-term value creation at both companies. With this objective in mind, Coca-Cola FEMSA has jointly acquired the *Brisa* bottled water business in Colombia, it has formalized a joint venture with respect to the Jugos del Valle products in Mexico and Brazil, and has formalized its agreement to jointly develop the Crystal water business in Brazil.
- *Horizontal growth*: The new framework includes The Coca-Cola Company's endorsement of Coca-Cola FEMSA's aspiration to continue being a leading participant in the consolidation of the Coca-Cola system in Latin America, as well as the exploration of potential opportunities in other markets where Coca-Cola FEMSA's operating model and strong execution capabilities could be leveraged.
- *Long-term vision in relationship economics*: Coca-Cola FEMSA and The Coca-Cola Company understand each other's business objectives and growth plans, and the new framework provides long-term perspective on the economics of their relationship. This will allow Coca-Cola FEMSA and The Coca-Cola Company to focus on continuing to drive the business forward and generating profitable growth.

Bottler Agreements

Bottler agreements are the standard agreements for each territory that The Coca-Cola Company enters into with bottlers outside the United States. Coca-Cola FEMSA manufactures, packages, distributes and sells sparkling beverages, bottled still beverages and water under a separate bottler agreement for each of its territories. Coca-Cola FEMSA is required to purchase concentrate and artificial sweeteners in some of its territories for all *Coca-Cola* trademark beverages from companies designated by The Coca-Cola Company.

These bottler agreements provide that Coca-Cola FEMSA will purchase its entire requirement of concentrate for *Coca-Cola* trademark beverages from The Coca-Cola Company and other authorized suppliers at prices, terms of payment and on other terms and conditions of supply as determined from time to time by The Coca-Cola Company at its sole discretion. Concentrate prices are determined as a percentage of the weighted average retail price in local currency, net of applicable taxes. Although the price multipliers used to calculate the cost of concentrate and the currency of payment, among other terms, are set by The Coca-Cola Company at its sole discretion, Coca-Cola FEMSA sets the price of products sold to customers at its discretion, subject to the applicability of price restraints. Coca-Cola FEMSA has the exclusive right to distribute *Coca-Cola* trademark beverages for sale in its territories in authorized containers of the nature prescribed by the bottler agreements and currently used by Coca-Cola FEMSA. These containers include various configurations of cans and returnable and non-returnable bottles made of glass and plastic and fountain containers.

The bottler agreements include an acknowledgment by Coca-Cola FEMSA that The Coca-Cola Company is the sole owner of the trademarks that identify the *Coca-Cola* trademark beverages and of the secret formulas with which The Coca-Cola Company's concentrates are made. Subject to Coca-Cola FEMSA's exclusive right to distribute *Coca-Cola* trademark beverages in its territories, The Coca-Cola Company reserves the right to import and export *Coca-Cola* trademark beverages to and from each of its territories. Coca-Cola FEMSA's bottler agreements do not contain restrictions on The Coca-Cola Company's ability to set the price of concentrates charged to its subsidiaries and do not impose minimum marketing obligations on The Coca-Cola Company. The prices at which Coca-Cola FEMSA purchases concentrates under the bottler agreements may vary materially from the prices it has historically paid. However, under Coca-Cola FEMSA's bylaws and the shareholders agreement among certain subsidiaries of The Coca-Cola Company and certain subsidiaries of our company, an adverse action by The Coca-Cola Company under any of the bottler agreements may result in a suspension of certain veto rights of the directors appointed by The Coca-Cola Company. This provides Coca-Cola FEMSA with limited protection against The Coca-Cola Company's ability to raise concentrate prices to the extent that such increase is deemed detrimental to Coca-Cola FEMSA pursuant to the shareholder agreement and the bylaws. See "—Shareholders Agreement."

The Coca-Cola Company has the ability, at its sole discretion, to reformulate any of the *Coca-Cola* trademark beverages and to discontinue any of the *Coca-Cola* trademark beverages, subject to certain limitations, so long as all *Coca-Cola* trademark beverages are not discontinued. The Coca-Cola Company may also introduce new beverages in Coca-Cola FEMSA's territories in which case Coca-Cola FEMSA has a right of first refusal with respect to the manufacturing, packaging, distribution and sale of such new beverages subject to the same obligations as then exist with respect to the *Coca-Cola* trademark beverages under the bottler agreements. The bottler agreements prohibit Coca-Cola FEMSA from producing, bottling or handling cola products other than those of The Coca-Cola Company, or other products or packages that would imitate, infringe upon, or cause confusion with the products, trade dress, containers or trademarks of The Coca-Cola Company, or from acquiring or holding an interest in a party that engages in such restricted activities. The bottler agreements also prohibit Coca-Cola FEMSA from producing, bottling or handling any sparkling beverage product except under the authority of, or with the consent of, The Coca-Cola Company. The bottler agreements impose restrictions concerning the use of certain trademarks, authorized containers, packaging and labeling of The Coca-Cola Company so as to conform to policies prescribed by The Coca-Cola Company. In particular, Coca-Cola FEMSA is obligated to:

- maintain plant and equipment, staff and distribution facilities capable of manufacturing, packaging and distributing the *Coca-Cola* trademark beverages in authorized containers in accordance with Coca-Cola FEMSA bottler agreements and in sufficient quantities to satisfy fully the demand in its territories;
- undertake adequate quality control measures prescribed by The Coca-Cola Company;

- develop, stimulate and satisfy fully the demand for *Coca-Cola* trademark beverages using all approved means, which includes the investment in advertising and marketing plans;
- maintain a sound financial capacity as may be reasonably necessary to assure performance by Coca-Cola FEMSA and its affiliates of their obligations to The Coca-Cola Company; and
- submit annually to The Coca-Cola Company, Coca-Cola FEMSA's marketing, management, promotional and advertising plans for the ensuing year.

The Coca-Cola Company contributed a significant portion of Coca-Cola FEMSA's total marketing expenses in its territories during 2009 and has reiterated its intention to continue providing such support as part of its new cooperation framework. Although Coca-Cola FEMSA believes that The Coca-Cola Company will continue to provide funds for advertising and marketing, it is not obligated to do so. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. See "—Shareholders Agreement."

Coca-Cola FEMSA has separate bottler agreements with The Coca-Cola Company for each of the territories in which it operates. These bottler agreements are renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement.

In Mexico, Coca-Cola FEMSA has four bottler agreements; the agreements for two territories expire in June 2013 and the agreements for the other two territories expire in May 2015. Coca-Cola FEMSA's bottler agreements with The Coca-Cola Company will expire for its territories in the following countries: Argentina in September 2014; Brazil in April 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016; and Panama in November 2014.

The bottler agreements are subject to termination by The Coca-Cola Company in the event of default by Coca-Cola FEMSA. The default provisions include limitations on the change in ownership or control of Coca-Cola FEMSA and the assignment or transfer of the bottler agreements and are designed to preclude any person not acceptable to The Coca-Cola Company from obtaining an assignment of a bottler agreement or from acquiring Coca-Cola FEMSA independently of other rights set forth in the shareholders agreement. These provisions may prevent changes in Coca-Cola FEMSA's principal shareholders, including mergers or acquisitions involving sales or dispositions of Coca-Cola FEMSA's capital stock, which will involve an effective change of control without the consent of The Coca-Cola Company. See "—Shareholders Agreement."

Coca-Cola FEMSA has also entered into tradename licensing agreements with The Coca-Cola Company pursuant to which Coca-Cola FEMSA is authorized to use certain trademark names of The Coca-Cola Company. These agreements have a ten-year term, but are terminated if Coca-Cola FEMSA's ceases to manufacture, market, sell and distribute *Coca-Cola* trademark products pursuant to the bottler agreements or if the shareholders agreement is terminated. The Coca-Cola Company also has the right to terminate a license agreement if Coca-Cola FEMSA uses its trademark names in a manner not authorized by the bottler agreements.

Material Contracts Relating to our Holding of Heineken Shares

Share Exchange Agreement

As of January 11, 2010, FEMSA and certain of our subsidiaries entered into a share exchange agreement, which we refer to as the Share Exchange Agreement with Heineken Holding and Heineken. The Share Exchange Agreement requires Heineken, in consideration for 100% of the shares of EMPREX Cerveza, S.A. de C.V., which we refer to as EMPREX Cerveza, to deliver at the closing of the Heineken transaction 86,028,019 new Heineken shares to FEMSA with a commitment to deliver 29,172,504 additional Heineken shares over a period of not more than five years from the date of the closing of the Heineken transaction, such additional shares (the "Allotted Shares"). If Heineken is unable to fulfill its obligations to deliver the Allotted Shares, these obligations may be settled in cash with a significant penalty. The Allotted Shares will be delivered to us pursuant to an allotted shares delivery instrument.

The Share Exchange Agreement provides that, simultaneously with the closing of the transaction, Heineken Holding will swap 43,018,320 Heineken shares with FEMSA for an equal number of newly issued Heineken Holding shares. After the closing of the Heineken transaction, we own 7.5% of Heineken shares, which will increase to 12.5% upon full delivery of the Allotted Shares, and an additional 14.9% in Heineken Holding, which will represent an aggregate 20% economic interest in the Heineken Group.

Under the terms of the Share Exchange Agreement, in exchange for such economic interest in the Heineken Group, FEMSA delivered 100% of the shares representing the capital stock of EMPREX Cerveza. EMPREX Cerveza has become a wholly owned subsidiary of Heineken.

The principal provisions of the Share Exchange Agreements are as follows:

- Delivery to Heineken, by FEMSA, of 100% of the outstanding share capital of EMPREX Cerveza, which together with its subsidiaries, constitutes the entire beer business and operations of FEMSA in Mexico and Brazil (including the United States and other export business);
- Delivery to FEMSA by Heineken of 86,028,019 new Heineken shares;
- Simultaneously with the closing of the Heineken transaction, a swap between Heineken Holding and FEMSA of 43,018,320 Heineken shares for an equal number of newly issued shares in Heineken Holding;
- The commitment by Heineken to assume indebtedness of EMPREX Cerveza and subsidiaries amounting to approximately US$2.1 billion;
- The provision by FEMSA to the Heineken Group of indemnities customary in transactions of this nature concerning FEMSA and FEMSA Cerveza and its subsidiaries and their businesses;
- FEMSA's covenants to operate the EMPREX Cerveza business in the ordinary course consistent with past practice until the closing of the transaction, subject to customary exceptions, with the economic risks and benefits of the EMPREX Cerveza business transferring to Heineken as of January 1, 2010;
- The provision by Heineken and Heineken Holding to FEMSA of indemnities customary in transactions of this nature concerning the Heineken Group; and
- FEMSA's covenants, subject to certain limitations, to not engage in the production, manufacture, packaging, distribution, marketing or sale of beer and similar beverages in Latin America, the United States, Canada and the Caribbean.

Corporate Governance Agreement

As of April 30, 2010, FEMSA, CB Equity LLP (as transferee of the Heineken & Heineken Holding Exchange Shares and Allotted Shares), Heineken, Heineken Holding and L'Arche Green N.V., as majority shareholder of Heineken Holding, entered into the corporate governance agreement, which we refer to as the Corporate Governance Agreement, which establishes the terms of the relationship between Heineken and FEMSA after the closing of the Heineken transaction.

The Corporate Governance Agreement covers, among other things, the following topics:

- FEMSA's representation on the Heineken Holding Board and the Heineken Supervisory Board and the creation of an Americas committee, also with FEMSA's representation;
- FEMSA's representation on the selection and appointment committee and the audit committee of the Heineken Supervisory Board;

- FEMSA's commitment to not increase its holding in Heineken Holding above 20% and to not increase its holding in the Heineken Group above a maximum 20% economic interest (subject to certain exceptions); and
- FEMSA's agreement to not transfer any shares in Heineken or Heineken Holding for a five-year period, subject to certain exceptions, including among others, (i) beginning in the third anniversary, the right to sell up to 1% of all outstanding shares of each of Heineken and Heineken Holding in any calendar quarter and (ii) beginning in the third anniversary, the right to dividend or distribute to its shareholders each of Heineken and Heineken Holding shares.

Under the Corporate Governance Agreement, FEMSA is entitled to nominate two (2) representatives to the Heineken Supervisory Board, one of whom will be appointed as Vice Chairman of Heineken and will also serve as a representative of FEMSA on the Heineken Holding Board. FEMSA's nominees for appointment to the Heineken Supervisory Board were José Antonio Fernández Carbajal, FEMSA's Chief Executive Officer, and Javier Astaburuaga Sanjines, FEMSA's Chief Financial Officer, which have already been approved by Heineken's general meeting of shareholders. Mr. José Antonio Fernández has also been approved to the Heineken Holding Board by the general meeting of shareholders of Heineken Holding.

In addition, the Heineken Supervisory Board has created an Americas committee to oversee the strategic direction of the business in the American continent and assess new business opportunities in that region. The Americas committee consists of two existing members of the Heineken Supervisory Board and one FEMSA representative, who acts as the chairman. The chairman of the Americas committee is José Antonio Fernández Carbajal.

The Corporate Governance Agreement has no fixed term, but certain provisions cease to apply if FEMSA ceases to have the right to nominate a representative to the Heineken Holding Board and the Heineken Supervisory Board. For example, in certain circumstances, FEMSA would be entitled to only one representative on the Heineken Supervisory Board, including in the event that FEMSA's economic interest in the Heineken Group were to fall below 14%, the current FEMSA control structure were to change or FEMSA were to be subject to a change of control. In the event that FEMSA's economic interest in Heineken falls below 7% or a beer producer acquires control of FEMSA, all of FEMSA's corporate governance rights would end pursuant to the Corporate Governance Agreement.

Documents on Display

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its public reference rooms in Washington, D.C., at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Filings we make electronically with the SEC are also available to the public over the Internet at the SEC's website at www.sec.gov.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business activities require the holding or issuing of derivative financial instruments that expose us to market risks related to changes in interest rates, foreign currency exchange rates, equity risk and commodity price risk.

Interest Rate Risk

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. At December 31, 2009, we had outstanding total debt of Ps. 43,663 million, of which 17.1% bore interest at fixed interest rates and 82.9% bore interest at variable interest rates. Swap contracts held by us effectively switch a portion of our variable rate indebtedness into fixed-rate indebtedness. After giving effect to these contracts, as of December 31, 2009, 46.2% of our total debt was fixed rate and 53.8% of total debt was variable rate. The interest rate on our variable rate debt is determined by reference to the London Interbank Offered Rate, or LIBOR, (a benchmark rate used for Eurodollar loans), the *Tasa de Interés Interbancaria de Equilibrio* (Equilibrium Interbank Interest Rate) or TIIE, and the *Certificados de la Tesorería* (Treasury Certificates) or CETES rate. If these reference rates increase, our interest payments would consequently increase.

The table below provides information about our derivative financial instruments that are sensitive to changes in interest rates and exchange rates. The table presents notional amounts and weighted average interest rates by expected contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on the reference rates on December 31, 2009, plus spreads contracted by us. Our derivative financial instruments' current payments are denominated in U.S. dollars and Mexican pesos. All of the payments in the table are presented in Mexican pesos, our reporting currency, utilizing the December 31, 2009 exchange rate of 13.0576 Mexican pesos per U.S. dollar.

The table below also includes the estimated fair value as of December 31, 2009 of:

- short and long-term debt, based on the discounted value of contractual cash flows, in which the discount rate is estimated using rates currently offered for debt with similar terms and remaining maturities;
- long-term notes payable, based on quoted market prices; and
- cross currency swaps and interest rate swaps, based on quoted market prices to terminate the contracts as of December 31, 2009.

As of December 31, 2009, the fair value represents a decrease in total debt of Ps. 37 million over book value due to a decrease in the interest rate in Mexico.

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Principal by Year of Maturity

	At December 31, 2009								At December 31, 2008	
	2010	2011	2012	2013	2014	2015 and thereafter	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions of Mexican pesos)									
Short-term debt:										
Variable rate debt:										
Mexican pesos	1,400						1,400	1,400	3,820	3,753
Interest rate(1)	8.2%						8.2%		11.6%	
Argentine pesos	1,179						1,179	1,179	816	768
Interest rate(1)	20.7%						20.7%		19.6%	
Colombian pesos	496						496	496	798	816
Interest rate(1)	4.9%						4.9%		15.2%	
Venezuelan Bolívares fuertes	741						741	741	365	372
Interest rate(1)	18.1%						18.1%		22.2%	
Subtotal	3,816						3,816	3,816	5,799	5,709
Long-term debt:										
Fixed rate debt:										
Mexican pesos	2,200	280	1,916	—		—	4,396	4,535	5,036	5,136
Interest rate(1)	10.1%	12.3%	10.0%				10.2%		10.2%	
J.P. Morgan (Yankee Bond)							—		3,605	3,605
Interest rate									7.3%	
Units of Investment (UDIs)						2,964	2,964	2,964	2,692	2,692
Interest rate(1)						4.2%	4.2%		4.2%	
U.S. dollars	36	3	—	—	—	—	39	39	217	217
Interest rate(1)	3.5%	3.8%					3.6%		4.8%	
Japanese yen							—	—	120	120
Interest rate(1)									2.8%	
Argentine pesos		69					69	69	—	—
Interest rate(1)		20.5%					20.5%			
Brazilian reais							—	—	1	1
Interest rate(1)									10.7%	
Subtotal	2,236	352	1,916	—	—	2,964	7,468	7,607	11,671	11,771

	At December 31, 2009								At December 31, 2008	
	2010	2011	2012	2013	2014	2015 and thereafter	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions of Mexican pesos)									
Variable rate debt:										
Mexican pesos	2,731	6,067	7,996	5,210	1,392	2,825	26,221	26,045	19,217	19,059
Interest rate[1]	5.4%	6.7%	6.4%	5.0%	5.2%	3.3%	5.7%		8.9%	
U.S. dollars	70	1,113	2,228	2,731	16		6,158	6,158	6,266	6,265
Interest rate[1]	0.8%	0.7%	0.6%	0.5%	1.9%		0.6%		2.3%	—
Colombian pesos									905	905
Interest rate[1]									15.4%	
Subtotal	2,801	7,180	10,224	7,941	1,408	2,825	32,379	32,203	26,388	26,229
Total debt	8,853	7,532	12,140	7,941	1,408	5,789	43,663	43,626	43,858	43,709
Derivative financial instruments:										
Interest rate swaps:										
Mexican pesos:										
Variable to fixed	862	1,762	2,215	3,885	—		8,724	(316)	9,045	(178)
Interest pay rate[1]	9.5%	9.1%	8.1%	8.1%			8.4%		9.3%	
Interest receive rate[1]	5.0%	4.9%	4.9%	4.9%			4.9%		8.7%	
U.S. dollars:										
Variable to fixed rate[1]	—	—	653	979	—	50	1,682	(34)	—	—
Interest pay rate[1]			3.8%	3.1%		8.6%	3.5%			
Interest receive rate[1]			0.5%	0.5%		5.1%	0.7%			
Cross currency swaps:										
Units of Investment (or UDIs)										
Fixed to Fixed	—	—	—	—		2,500	2,500	(217)	3,595	95
Interest pay rate[1]	—	—	—	—		9.6%	9.6%		10.0%	
Interest receive rate[1]	—	—	—	—		4.9%	4.9%		4.2%	

	At December 31, 2009								At December 31, 2008	
	2010	2011	2012	2013	2014	2015 and thereafter	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions of Mexican pesos)									
U.S. dollars to Mexican pesos:										
Variable to fixed	—	846	846	423	—	—	2,115	433	2,115	578
Interest pay rate(1)	—	8.1%	8.1%	8.1%			8.1%		8.1%	
Interest receive rate(1)	—	0.7%	0.7%	0.7%			0.7%		0.9%	
Variable to Variable	—	—	209	105	—		314	82	314	96
Interest pay rate(1)	—	—	4.7%	4.7%			4.7%		8.5%	
Interest receive rate(1)	—	—	0.7%	0.7%			0.7%		3.6%	
Japanese yen to Brazilian reais										
Fixed to variable		—	—	—	—				72	37
Interest pay rate(1)		—	—	—	—				14.4%	
Interest receive rate(1)		—	—	—	—				2.8%	

(1) Weighted average interest rate.

A hypothetical, instantaneous and unfavorable change of one percentage point in the average interest rate applicable to variable-rate liabilities held at December 31, 2009 would increase our interest expense by approximately Ps. 194 million, or 22%, over the 12-month period of 2009 assuming no additional debt is incurred during such period, in each case after giving effect to all of our interest and cross currency swap agreements.

Foreign Currency Exchange Rate Risk

Our principal exchange rate risk involves changes in the value of the local currencies, of each country in which we operate, relative to the U.S. dollar. In 2009, the percentage of our consolidated total revenues was denominated as follows:

Total Revenues by Countries At December 31, 2009

Region	Countries	% of Consolidated Total Revenues
Mexico	Mexican peso	61.7%
Venezuela	Bolívar fuerte	11.4%
Mercosur	Reais, Argentine peso	16.4%
United States	U.S. dollar	2.4%
Latincentro	Others(1)	8.1%

(1) Quetzal, Balboas, Colon, U.S. dollar and Colombian pesos.

We estimate that a majority of our consolidated costs and expenses are denominated in Mexican pesos for Mexican subsidiaries and in the aforementioned currencies for the foreign subsidiaries, which are principally subsidiaries of Coca-Cola FEMSA and FEMSA Cerveza. Substantially all of our costs and expenses denominated in a foreign currency, other than the functional currency of each country in which we operate, are denominated in U.S. dollars. As of December 31, 2009 after giving effect to all cross currency swaps, 91.7% of our long-term indebtedness was denominated in Mexican pesos, 8.1% was denominated in U.S. dollars, and 0.2% was denominated in Argentine pesos. We also have short-term indebtedness, which consists of revolving bank loans. Decreases in the value of the different currencies relative to the U.S. dollar will increase the cost of our foreign currency denominated operating costs and expenses, and the debt service obligations with respect to our foreign currency denominated indebtedness. A depreciation of the Mexican peso relative to the U.S. dollar will also result in foreign exchange losses as the Mexican peso value of our foreign currency denominated long-term indebtedness is increased.

Our exposure to market risk associated with changes in foreign currency exchange rates relates primarily to U.S. dollar-denominated debt obligations as shown in the interest risk table above. We occasionally utilize financial derivative instruments to hedge our exposure to the U.S. dollar relative to the Mexican peso and other currencies.

As of December 31, 2009, we had forward agreements that meet the hedging criteria for accounting purposes, to hedge our operations denominated in U.S. dollars. The notional amount is Ps. 1,195 million with a fair value liability of Ps. 16 million, and maturity dates during 2010. For the year ended December 31, 2009, we recorded a net loss on expired forward agreements of Ps. 1 million as a part of foreign exchange. The fair value of the foreign currency forward contracts is estimated based on the quoted market price of each agreement at year-end assuming the same maturity dates originally contracted.

As of December 31, 2009, certain forward agreements do not meet the hedging criteria for accounting purposes; consequently changes in the estimated fair value were recorded in our consolidated income statement. For the years ended December 31, 2009, 2008 and 2007, the net effect of expired contracts that do not meet hedging criteria for accounting purposes, were losses of Ps. 63 million and Ps. 643 million and a gain of Ps. 22 million, respectively. The fair value of the foreign currency forward contracts is estimated based on the quoted market price of each agreement at year end assuming the same maturity dates originally contracted.

As of December 31, 2009, we did not have any call option agreements to buy U.S. dollars.

We contracted cross currency swaps to manage the interest rate and foreign exchange risks associated with our borrowings denominated in U.S. dollars and other foreign currencies, which are designated as cash flow hedges. The aggregate notional amount is Ps. 2,115 million with maturity date in 2013. The fair value is estimated based on quoted market exchange rates and interest rates to terminate the contracts at December 31, 2009, with a fair value asset of Ps. 433 million.

As of December 31, 2009, we have cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 2,814 million that expire in 2013 and 2017, for which we have recorded a net fair value asset of Ps. 561 million. The net effect of our expired contracts for the years ended December 31, 2009, 2008 and 2007 was recorded as a financial expense and amounted to Ps. 135, Ps. 178 million and Ps. 37 million, respectively.

As of December 31, 2009, certain cross currency swap instruments do not meet the hedging criteria for accounting purposes; consequently changes in the estimated fair value were recorded in the income statement. The notional amount of these contracts is Ps. 2,024 million and mature in 2011 and 2012. The changes in fair value of these contracts represented a gain of Ps. 169 million.

As of December 31, 2009, we had determined that our leasing contracts denominated in U.S. dollars host an embedded derivative financial instrument. The fair value of these contracts is based on the exchange rate used to finish the contract as of the end of the period. As of December 31, 2009, 2008 and 2007, the fair value of these contracts represented a gain of Ps. 78 million, and losses of Ps. 138 million and Ps. 9 million, respectively, which are recorded in the income statement as market value loss on ineffective portion of derivative financial instruments.

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the Mexican peso relative to the U.S. dollar occurring on December 31, 2009, would have resulted in an increase in our net consolidated integral result of financing expense of approximately Ps. 482 million over the 12-month period of 2009, reflecting higher interest expense and foreign exchange gain generated by the cash balances held in U.S. dollars as of that date, net of the loss based on our U.S. dollar-denominated indebtedness at December 31, 2009. However, this result does not take into account any gain on monetary position that would be expected to result from an increase in the inflation rate generated by a devaluation of local currencies relative to the U.S. dollar in inflationary economic environments, which gain on monetary position would reduce the consolidated comprehensive financial result.

As of April 30, 2010, the exchange rates relative to the U.S. dollar of all the countries in which we operate as well as their devaluation/revaluation effect compared to December 31, 2009, are as follows:

Country	Currency	Exchange Rate as of April 30, 2010	(Devaluation) / Revaluation
Mexico	Mexican peso	12.3698	5.3%
Brazil	Reais	1.7306	0.6%
Venezuela	Bolívar fuerte	4.3000	(100.0)%
Colombia	Colombian peso	1,969.7500	3.6%
Argentina	Argentine peso	3.8880	(2.3)%
Costa Rica	Colon	516.0400	9.8%
Guatemala	Quetzal	8.0228	4.0%
Nicaragua	Cordoba	21.1775	(1.6)%
Panama	U.S. dollar	1.0000	—

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the currencies of all the countries in which we operate, relative to the U.S. dollar occurring on December 31, 2009, would produce a reduction in stockholders' equity as follows:

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Country	Currency	Reduction in Stockholders' Equity (in millions of Mexican pesos)
Mexico	Mexican peso	185
Brazil	Reais	905
Venezuela	Bolívar fuerte	391
Colombia	Colombian peso	285
Costa Rica	Colon	84
Argentina	Argentine peso	82
Guatemala	Quetzal	63
Nicaragua	Cordoba	31
Panama	U.S. dollar	8

Equity Risk

As of December 31, 2009 and 2008, we did not have any equity forward agreements.

Commodity Price Risk

We entered into various derivative contracts to hedge the cost of certain raw materials that are exposed to variations of commodity price exchange rates. As of December 31, 2009, we had various derivative instruments contracts with maturity dates in 2010 and 2013, notional amounts of Ps. 5,199 million and a fair value liability of Ps. 977 million. The result of our commodity price contracts for the years ended December 31, 2009, 2008 and 2007, was a loss of Ps. 1,096 million, a gain of Ps. 17 million and a loss of Ps. 82 million, respectively, which were recorded in the results of operations of each year. We have certain derivative contracts that do not meet hedging criteria for accounting purposes. For the years ended December 31, 2009, 2008 and 2007, the fair value of these contracts was recognized as losses on ineffective portion of derivative financial instruments of Ps. 165 million, Ps. 474 million and Ps. 43 million, respectively.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

ITEM 12A. DEBT SECURITIES

Not applicable.

ITEM 12B. WARRANTS AND RIGHTS

Not applicable.

ITEM 12C. OTHER SECURITIES

Not applicable.

ITEM 12D. AMERICAN DEPOSITARY SHARES

The Bank of New York Mellon serves as the depositary for our ADSs. Holders of our ADSs, evidenced by ADRs are required to pay various fees to the depositary, and the depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADS holders are required to pay the depositary amounts in respect of expenses incurred by the depositary or its agents on behalf of ADS holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, cable, telex and facsimile transmission, or the conversion of foreign currency into U.S. dollars. The depositary may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

ADS holders are also required to pay additional fees for certain services provided by the depositary, as set forth in the table below.

Depositary service	Fee payable by ADS holders
Issuance and delivery of ADSs, including in connection with share distributions, stock splits	Up to US$5.00 per 100 ADSs (or portion thereof)
Distribution of dividends[1]	Up to US$0.02 per ADS
Withdrawal of shares underlying ADSs	Up to US$5.00 per 100 ADSs (or portion thereof)

(1) As of the date of this annual report, holders of our ADSs were not required to pay additional fees with respect to this service.

Direct and indirect payments by the depositary

The depositary pays us an agreed amount, which includes reimbursements for certain expenses we incur in connection with the ADS program. These reimbursable expenses include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADS holders. For the year ended December 31, 2009, this amount was US$3.2 million.

ITEMS 13-14. NOT APPLICABLE

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2009. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the framework in Internal Controls—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, our management concluded that our internal control over financial reporting was effective as of December 31, 2009.

The effectiveness of our internal control over financial reporting as of December 31, 2009 has been audited by Mancera, S.C., a member of Ernst & Young Global, an independent registered public accounting firm, as stated in its report included herein.

(c) Attestation Report of the Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20F. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20F, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended and our report dated June 25, 2010 expressed an unqualified opinion on those financial statements.

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

C.P.C. Víctor Luís Soulé García

Monterrey, N.L., Mexico
June 25, 2010

(d) Changes in Internal Control over Financial Reporting

During 2009, there were no changes in our internal control over financial reporting that either materially affected, or would be reasonably likely to have a material effect, on our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our shareholders and our board of directors have designated José Manuel Canal Hernando, an independent director as required by the Mexican Securities Law and applicable New York Stock Exchange listing standards, as an "audit committee financial expert" within the meaning of this Item 16A. See "Item 6. Directors, Senior Management and Employees—Directors."

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics, within the meaning of this Item 16B of Form 20-F. Our code of ethics applies to our chief executive officer, chief financial officer, chief accounting officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.femsa.com. If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer, chief accounting officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

For the fiscal years ended December 31, 2009 and 2008, Mancera, S.C., a member practice of Ernst & Young Global, was our auditor.

The following table summarizes the aggregate fees billed to us in 2009 and 2008 by Mancera, S.C., which is an independent registered public accounting firm, during fiscal years ended December 31, 2009 and 2008:

	Year ended December 31,	
	2009	2008
	(in millions of Mexican pesos)	
Audit fees	Ps. 88	Ps. 79
Audit-related fees	7	1
Tax fees	6	6
Other fees	1	—
Total	Ps. 102	Ps. 86

Audit fees. Audit fees in the above table represent the aggregate fees billed in connection with the audit of our annual financial statements, as well as to other limited procedures in connection with our quarterly financial information and other statutory and regulatory audit activities.

Audit-related fees. Audit-related fees in the above table for the year ended December 31, 2009 and 2008, are the aggregate fees billed mainly in connection with proforma financial information, due diligence services and other technical advice on accounting and audit related matters.

Tax fees. Tax fees in the above table are fees billed for services based upon existing facts and prior transactions in order to document, compute, and obtain government approval for amounts included in tax filings such as value-added tax return assistance, transfer pricing documentation and requests for technical advice from taxing authorities.

Other fees. Other fees in the above table represented consulting related services. During 2008, there were no other fees.

Audit Committee Pre-Approval Policies and Procedures

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the audit committee as set forth in the Audit Committee's charter. Any service proposals submitted by external auditors need to be discussed and approved by the Audit Committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our Audit Committee. In addition, the members of our board of directors are briefed on matters discussed by the different committees of our board.

ITEM 16D. NOT APPLICABLE

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

We did not purchase any of our equity securities in 2009. The following table presents purchases by trusts that we administer in connection with our stock incentive plans, which purchases may be deemed to be purchases by an affiliated purchaser of us. See "Item 6. Directors, Senior Management and Employees—EVA Stock Incentive Plan."

Purchases of Equity Securities

Purchase Date	Total Number of BD Units Purchased	Average Price Paid per BD Units	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Appropriate U.S. dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
March 1, 2007	3,202,140	Ps 41.17		
March 1, 2008	4,592,920	Ps 39.51		
March 1, 2009	5,392,080	Ps 38.76		
March 1, 2010	4,207,675	Ps 55.44		

ITEM 16F. NOT APPLICABLE

ITEM 16G. CORPORATE GOVERNANCE

Pursuant to Rule 303A.11 of the Listed Company Manual of the NYSE, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Mexican corporation with shares listed on the Mexican Stock Exchange. Our corporate governance practices are governed by our bylaws, the Mexican Securities Law and the regulations issued by the CNBV. We also disclose the extent of compliance with the *Código de Mejores Prácticas Corporativas* (Mexican Code of Best Corporate Practices), which was created by a group of Mexican business leaders and was endorsed by the CNBV.

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The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

NYSE Standards	Our Corporate Governance Practices
Directors Independence: A majority of the board of directors must be independent.	**Directors Independence:** Pursuant to the Mexican Securities Law, we are required to have a board of directors with a maximum of 21 members, 25% of whom must be independent. The Mexican Securities Law sets forth, in article 26, the definition of "independence," which differs from the one set forth in Section 303A.02 of the Listed Company Manual of the NYSE. Generally, under the Mexican Securities Law, a director is not independent if such director: (i) is an employee or a relevant officer of the company or its subsidiaries; (ii) is an individual with significant influence over the company or its subsidiaries; (iii) is a shareholder or participant of the controlling group of the company; (iv) is a client, supplier, debtor, creditor, partner or employee of an important client, supplier, debtor or creditor of the company; or (v) is a family member of any of the aforementioned persons. In accordance with the Mexican Securities Law, our shareholders are required to make a determination as to the independence of our directors at an ordinary meeting of our shareholders, though the CNBV may challenge that determination. Our board of directors is not required to make a determination as to the independence of our directors.
Executive sessions: Non-management directors must meet at regularly scheduled executive sessions without management.	**Executive sessions:** Under our bylaws and applicable Mexican law, our non-management and independent directors are not required to meet in executive sessions. Our bylaws state that the board of directors will meet at least four times a year, following the end of each quarter, to discuss our operating results and progress in achieving strategic objectives. Our board of directors can also hold extraordinary meetings.
Nominating/Corporate Governance Committee: A nominating/corporate governance committee composed entirely of independent directors is required.	**Nominating/Corporate Governance Committee:** We are not required to have a nominating committee, and the Mexican Code of Best Corporate Practices does not provide for a nominating committee. However, Mexican law requires us to have a Corporate Practices Committee. Our Corporate Practices Committee is composed of three members, and as required by the Mexican Securities Law and our bylaws, the three members are independent.
Compensation committee: A compensation committee composed entirely independent directors is required.	**Compensation committee:** We do not have a committee that exclusively oversees compensation issues. Our Corporate Practices Committee, composed entirely of independent directors, reviews and recommends management compensation programs in order to ensure that they are aligned with shareholders' interests and corporate performance.

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NYSE Standards	Our Corporate Governance Practices
Audit committee: Listed companies must have an audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the NYSE independence standards.	**Audit committee:** We have an Audit Committee of four members. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Law.
Equity compensation plan: Equity compensation plans require shareholder approval, subject to limited exemptions.	**Equity compensation plan:** Shareholder approval is not required under Mexican law or our bylaws for the adoption and amendment of an equity compensation plan. Such plans should provide for general application to all executives. Our current equity compensation plans have been approved by our board of directors.
Code of business conduct and ethics: Corporate governance guidelines and a code of conduct and ethics are required, with disclosure of any waiver for directors or executive officers.	**Code of business conduct and ethics:** We have adopted a code of ethics, within the meaning of Item 16B of SEC Form 20-F. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.femsa.com. If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

ITEM 17. NOT APPLICABLE

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 through F-64, incorporated herein by reference.

ITEM 19 EXHIBITS

1.1	Bylaws (estatutos sociales) of Fomento Económico Mexicano, S.A.B. de C.V., approved on April 22, 2008, together with an English translation thereof (incorporated by reference to Exhibit 1.1 of FEMSA's Annual Report on Form 20-F filed on June 30, 2008 (File No. 333-08752)).
1.2	Share Exchange Agreement by and between Heineken Holding N.V., Heineken N.V., Compañía Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., and FEMSA dated as of January 11, 2010.
1.3	First Amendment to Share Exchange Agreement by and between Heineken Holding N.V., Heineken N.V., Compañía Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., and FEMSA dated as of April 26, 2010.
1.4	Corporate Governance Agreement, dated April 30, 2010, between Heineken Holding N.V., Heineken N.V., L'Arche Green N.V., FEMSA and CB Equity, LLP.
2.1	Deposit Agreement, as further amended and restated as of May 11, 2007, among FEMSA, The Bank of New York, and all owners and holders from time to time of any American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to FEMSA's registration statement on Form F-6 filed on April 30, 2007 (File No. 333- 142469)).
2.2	Specimen certificate representing a BD Unit, consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares, together with an English translation (incorporated by reference to FEMSA's registration statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).
2.3	Indenture, dated July 11, 1997, by and between Corporación Interamericana de Bebidas, S.A. de C.V. and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.1 of Panamco's Registration Statement on Form F-4, filed on November 7, 1997 (File No. 333-07918)).
2.4	First Supplemental Indenture, dated October 15, 2003, between Corporación Interamericana de Bebidas, S.A. de C.V., as Issuer, Coca-Cola FEMSA, as Guarantor, and JPMorgan Chase Bank, as Trustee (incorporated by reference to Exhibit 2.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
2.5	Second Supplemental Indenture, dated November 19, 2003, between Corporación Interamericana de Bebidas, S.A. de C.V., as Issuer, Coca-Cola FEMSA, as Guarantor, and JPMorgan Chase Bank, as Trustee (incorporated by reference to Exhibit 2.6 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
2.6	Third Supplemental Indenture, dated August 1, 2007, between Propimex, S.A. de C.V., as Issuer, Coca-Cola FEMSA, as Guarantor, and JPMorgan Chase Bank, as Trustee (incorporated by reference to Exhibit 2.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 2008 (File No. 1-12260)).
3.1	Amended Voting Trust Agreement among certain principal shareholders of FEMSA together with an English translation (incorporated by reference to FEMSA's Schedule 13D as amended filed on August 11, 2005 (File No. 005-54705)).
4.1	Amended and Restated Shareholders' Agreement, dated as of July 6, 2002, by and among CIBSA, Emprex, The Coca-Cola Company and Inmex (incorporated by reference to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).

4.2	Amendment, dated May 6, 2003, to the Amended and Restated Shareholders' Agreement dated July 6, 2002, among CIBSA, Emprex, The Coca-Cola Company, Inmex, Atlantic Industries, Dulux CBAI 2003 B.V. and Dulux CBEXINMX 2003 B.V. (incorporated by reference to Exhibit 4.14 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).
4.3	Second Amendment, dated February 1, 2010, to the Amended and Restated Shareholders' Agreement dated July 6, 2002, among CIBSA, Emprex, The Coca-Cola Company, Inmex and Dulux CBAI 2003 B.V. (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
4.4	Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
4.5	Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
4.6	Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (incorporated by reference to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
4.7	Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
4.8	Amendments, dated May 17 and July 20, 1995, to Bottler Agreement and Letter of Agreement, dated August 22, 1994, each with respect to operations in Argentina between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
4.9	Bottler Agreement, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
4.10	Supplemental Agreement, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.6 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
4.11	Amendment, dated February 1, 1996, to Bottler Agreement between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA, dated December 1, 1995 (with English translation) (incorporated by reference to Exhibit 10.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
4.12	Amendment, dated May 22, 1998, to Bottler Agreement with respect to the former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 4.12 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
4.13	Supply Agreement, dated June 21, 1993, between Coca-Cola FEMSA and FEMSA Empaques (incorporated by reference to FEMSA's registration statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).

4.14	Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Golfo, S.A. de C.V. and The Coca-Cola Company with respect to operations in Golfo, Mexico (English translation) (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).
4.15	Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Baijo, S.A. de C.V., and The Coca-Cola Company with respect to operations in Baijo, Mexico (English translation). (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).
4.16	Coca-Cola Tradename License Agreement dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to FEMSA's Registration Statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).
4.17	Amendment to the Trademark License Agreement, dated December 1, 2002, entered by and among Administración de Marcas S.A. de C.V., as proprietor, and The Coca-Cola Export Corporation Mexico branch, as licensee (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-2290)).
4.18	Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Golfo S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
4.19	Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Bajio S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
4.20	Supply Agreement dated April 3, 1998, between ALPLA Fábrica de Plásticos, S.A. de C.V. and Industria Embotelladora de México, S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 4.18 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on July 1, 2002 (File No. 1-12260)).*
4.21	Services Agreement, dated November 7, 2000, between Coca-Cola FEMSA and FEMSA Logística (with English translation) (incorporated by reference to Exhibit 4.15 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
4.22	Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Bajio S.A. de C.V. (with English translation) (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
4.23	Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Golfo S.A. de C.V. (with English translation) (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
4.24	Memorandum of Understanding, dated as of March 11, 2003, by and among Panamco, as seller, and The Coca-Cola Company, as buyer (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).

4.25 Bottler Agreement, dated August 22, 1994, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).

4.26 Supplemental Agreement, dated August 22, 1994, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).

4.27 The Coca-Cola Company Memorandum to Steve Heyer from Jose Antonio Fernandez, dated December 22, 2002 (incorporated by reference to Exhibit 10.1 to FEMSA's Registration Statement on Amendment No. 1 to the Form F-3 filed on September 20, 2004 (File No. 333-117795)).

8.1 Significant Subsidiaries.

12.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 25, 2010.

12.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 25, 2010.

13.1 Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 25, 2010.

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and consolidated cash flows, for the years then ended, in conformity with Mexican Financial Reporting Standards, which differ in certain respects from accounting principles generally accepted in the United States (See Notes 26 and 27 to the consolidated financial statements).

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 25, 2010 expressed an unqualified opinion thereon.

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

C.P.C. Víctor Luís Soulé García
Monterrey, N.L., Mexico
June 25, 2010

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Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of
Fomento Económico Mexicano, S.A.B. de C.V.:

We have audited the accompanying consolidated statements of income, changes in stockholders' equity and changes in financial position of Fomento Económico Mexicano, S.A.B. de C.V. (a Mexican corporation) and subsidiaries (the "Company") for the year ended December 31, 2007, all expressed in millions of Mexican pesos of purchasing power as of December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of FEMSA Comercio, S.A. de C.V. and subsidiaries (a consolidated subsidiary), which statements reflect total revenues constituting 29% of consolidated total revenues for the year ended December 31, 2007. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for FEMSA Comercio, S.A. de C.V. and subsidiaries, is based solely on the report of the other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the results of operations, changes in stockholders' equity and changes in financial position of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries for the year ended December 31, 2007, in conformity with Mexican Financial Reporting Standards.

Mexican Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for the year ended December 31, 2007, and the determination of stockholders' equity as of December 31, 2007, to the extent summarized in Note 27. As discussed in Note 26 l to the consolidated financial statements, in 2009 the Company adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification ("ASC") 810.10.65 (formerly FAS 160, "Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51") which requires, among other changes, to identify and present on the face of the consolidated statement of income the amount of consolidated net income attributable to the parent and the noncontrolling interests. Accordingly, Notes 26 and 27 to the accompanying 2007 financial statements have been retrospectively adjusted.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu

C.P.C. Gabriel González Martínez
Monterrey, N.L., Mexico
June 12, 2008
(May 6, 2010 with respect to the retrospective
adjustments related to the adoption of ASC 810.10.65,
as disclosed in Note 26 l)

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

Consolidated Balance Sheets

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

	Note	2009		2008
ASSETS				
Current Assets:				
Cash and cash equivalents		$ 1,189	Ps. 15,523	Ps. 9,110
Marketable securities	4 b)	162	2,113	—
Accounts receivable	6	899	11,732	10,801
Inventories	7	1,138	14,858	13,065
Recoverable taxes		259	3,388	2,951
Other current assets	8	135	1,766	3,060
Total current assets		3,782	49,380	38,987
Investments in shares	9	180	2,344	1,965
Property, plant and equipment	10	4,981	65,038	61,425
Bottles and cases		319	4,162	3,733
Intangible assets	11	5,451	71,181	65,860
Deferred tax asset	23 d)	96	1,254	1,247
Other assets	12	1,357	17,732	14,128
TOTAL ASSETS		16,166	211,091	187,345
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Bank loans and notes payable	17	292	3,816	5,799
Current portion of long-term debt	17	386	5,037	5,849
Interest payable		13	170	376
Suppliers		1,512	19,737	16,726
Accounts payable		583	7,607	5,804
Taxes payable		444	5,793	4,044
Other current liabilities	24 a)	275	3,607	5,496
Total current liabilities		3,505	45,767	44,094
Long-Term Liabilities:				
Bank loans and notes payable	17	2,666	34,810	32,210
Labor liabilities	15 b)	257	3,354	2,886
Deferred tax liability	23 d)	74	972	2,400
Contingencies and other liabilities	24 b)	794	10,359	8,860
Total long-term liabilities		3,791	49,495	46,356
Total liabilities		7,296	95,262	90,450
Stockholders' Equity:				
Noncontrolling interest in consolidated subsidiaries	20	2,619	34,192	28,074
Controlling interest:				
Capital stock		410	5,348	5,348
Additional paid-in capital		1,574	20,548	20,551
Retained earnings from prior years		3,357	43,835	38,929
Net income		759	9,908	6,708
Cumulative other comprehensive income (loss)	4 v)	151	1,998	(2,715)
Controlling interest		6,251	81,637	68,821
Total stockholders' equity		8,870	115,829	96,895
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$16,166	Ps.211,091	Ps.187,345

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

Monterrey, N.L., Mexico.

José Antonio Fernández Carbajal
Chief Executive Officer

Javier Astaburuaga Sanjínes
Chief Financial Officer

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

Consolidated Income Statements

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

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

(1) Amounts for the year ended December 31, 2007, are expressed in millions of Mexican pesos as of the end of December 31, 2007 (see Note 2).

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

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

Consolidated Statements of Cash Flows

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

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

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

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 2007. Amounts expressed in millions of Mexican pesos (Ps.).

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

(1) Amounts for year ended December 31, 2007, are expressed in millions of Mexican pesos as of the end of December 31, 2007 (see Note 2).

The accompanying notes are an integral part of this consolidated statement of changes in financial position.

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

Consolidated Statements of Changes in Stockholders' Equity

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

	Capital Stock	Additional Paid-in Capital	Retained Earnings from Prior Years	Net Income	Cumulative Other Comprehensive Income (Loss)	Controlling Interest	Non-Controlling Interest in Consolidated Subsidiaries	Total Stockholders' Equity
Balances at December 31, 2006 [1]	**Ps.5,348**	**Ps.20,557**	**Ps.32,529**	**Ps. 7,127**	**Ps. (8,907)**	**Ps.56,654**	**Ps. 21,554**	**Ps. 78,208**
Transfer of prior year net income			7,127	(7,127)		—	—	—
Dividends declared and paid (see Note 21)			(1,525)			(1,525)	(384)	(1,909)
Sale of noncontrolling interest		55				55	360	415
Acquisition by FEMSA Cerveza of noncontrolling interest			(23)			(23)	(16)	(39)
Comprehensive income				8,511	906	9,417	3,561	12,978
Balances at December 31, 2007 [1]	**5,348**	**20,612**	**38,108**	**8,511**	**(8,001)**	**64,578**	**25,075**	**89,653**
Transfer of prior year net income			8,511	(8,511)		—	—	—
Change in accounting principles (see Note 2 g and i)			(6,070)		6,424	354	—	354
Dividends declared and paid (see Note 21)			(1,620)			(1,620)	(445)	(2,065)
Acquisitions by Coca-Cola FEMSA of noncontrolling interest (see Note 5)		(61)				(61)	(162)	(223)
Other transactions of noncontrolling interest							91	91
Comprehensive income				6,708	(1,138)	5,570	3,515	9,085
Balances at December 31, 2008	**5,348**	**20,551**	**38,929**	**6,708**	**(2,715)**	**68,821**	**28,074**	**96,895**
Transfer of prior year net income			6,708	(6,708)				
Change in accounting principle (see Note 2 c)			(182)			(182)	—	(182)
Dividends declared and paid (see Note 21)			(1,620)			(1,620)	(635)	(2,255)
Acquisition by FEMSA Cerveza of noncontrolling interest		(3)				(3)	19	16
Comprehensive income				9,908	4,713	14,621	6,734	21,355
Balances at December 31, 2009	**Ps.5,348**	**Ps.20,548**	**Ps.43,835**	**Ps. 9,908**	**Ps. 1,998**	**Ps.81,637**	**Ps. 34,192**	**Ps.115,829**

(1) Amounts as of December 31, 2007 and 2006, are expressed in millions of Mexican pesos as of the end of December 31, 2007 (see Note 2).

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

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Note 1. Activities of the Company.

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

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

Note 2. Basis of Presentation.

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

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

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

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

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

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

The accompanying consolidated financial statements and its notes were approved for issuance by the Company's Chief Executive Officer and Chief Financial Officer on June 25, 2010 and subsequent events have been considered through that date.

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

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

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

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

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

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

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

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

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

e) NIF B-8, “Consolidated and Combined Financial Statements”:

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

f) NIF B-2, “Statement of Cash Flows”:

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

g) NIF B-10, “Effects of Inflation”:

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

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

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

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

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

h) NIF B-15, “Translation of Foreign Currencies”:

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

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

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

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

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

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

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

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

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

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

Note 3. Foreign Subsidiary Incorporation.

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

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

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

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

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

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

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

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

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

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

Note 4. Significant Accounting Policies.

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

The significant accounting policies are as follows:

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

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

- Using inflation factors to restate non-monetary assets such as inventories, fixed assets, intangible assets, including related costs and expenses when such assets are consumed or depreciated;

- Applying the appropriate inflation factors to restate capital stock, additional paid-in capital and retained earnings by the necessary amount to maintain the purchasing power equivalent in Mexican pesos on the dates such capital was contributed or income was generated up to the date these consolidated financial statements are presented; and
- Including in the Comprehensive Financing Result the gain or loss on monetary position (see Note 4 t).

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

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

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

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

b) Cash and Cash Equivalents and Marketable Securities:

Cash and Cash Equivalents

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

Marketable Securities

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

December 31, 2009	Amortized Cost	Gross Unrealized Gain	Fair Value
Debt securities	Ps.2,001	Ps. 112	Ps.2,113

c) Allowance for Doubtful Accounts:

Allowance for doubtful accounts is based on an evaluation of the aging of the receivable portfolio and the economic situation of the Company’s clients, as well as the Company’s historical loss rate on receivables and the economic environment in which the Company operates. The carrying value of accounts receivable approximates its fair value as of both December 31, 2009 and 2008.

d) Inventories and Cost of Sales:

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

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

e) Other Current Assets:

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

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

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

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

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

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

f) Bottles and Cases:

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

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

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

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

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

g) Investments in Shares:

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

h) Property, Plant and Equipment:

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

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

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

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

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

i) Other Assets:

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

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

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

j) Intangible Assets:

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

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

- Information technology and management systems costs incurred during the development stage which are currently in use. Such amounts were capitalized and then amortized using the straight-line method over four years. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.
- Other computer systems cost in the development stage, not yet in use. Such amounts are capitalized as they are expected to add value such as income or cost savings in the future. Such amounts will be amortized on a straight-line basis over their estimated useful life after they are placed in service.
- Long-term alcohol licenses are amortized using the straight-line method. In 2009, FEMSA Cerveza reviewed the expected useful life of long-term alcohol licenses and changed its estimation from 6 to 15 years. The net effect of this change is a decrease in amortization of Ps. 84 in the consolidated financial results as of December 31, 2009. Beginning in 2009, long-term alcohol licenses are presented as part of intangible assets with finite useful life. Prior year balances have been reclassified from other assets to intangible assets for comparable purposes.
- Through 2008, start-up expenses, which represented costs incurred prior to the opening of OXXO stores with the characteristics of an intangible asset internally developed. Such amounts were amortized on a straight-line basis in accordance with the terms of the lease contract. In 2009, according to NIF C-8, these amounts were reclassified in retained earnings (see Note 2 c).

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

- Coca-Cola FEMSA’s rights to produce and distribute Coca-Cola trademark products in the territories acquired. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers. There are four bottler agreements for Coca-Cola FEMSA’s territories in Mexico; two expire in June 2013, and the other two in May 2015. The bottler agreement for Argentina expires in September 2014, for Brazil, will expire in April 2014, in Colombia in June 2014, in Venezuela in August 2016, in Guatemala in March 2015, in Costa Rica in September 2017, in Nicaragua in May 2016 and in Panama in November 2014. All of the Company’s bottler agreements are renewable for ten-year terms, subject to the right of each party to decide not to renew any of these agreements. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent Coca-Cola FEMSA from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on its business, financial conditions, results of operations and prospects.
- Trademarks and distribution rights, recognized as a result of the acquisition of the 30% of FEMSA Cerveza and payments made by FEMSA Cerveza in the acquisitions of previously granted franchises; and
- Trademarks recognized as a result of the acquisition of Kaiser.

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

k) Impairment of Long-Lived Assets and Goodwill:

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

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

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

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

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

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

l) Payments from The Coca-Cola Company:

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

m) Labor Liabilities:

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

Labor liabilities are considered to be non-monetary and are determined using long-term assumptions. The yearly cost of labor liabilities is charged to income from operations and labor cost of past services is recorded as expenses over the period during which the employees will receive the benefits of the plan.

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

n) Contingencies:

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

o) Commitments:

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

p) Revenue Recognition:

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

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

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

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

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

During 2007 and 2008, Coca-Cola FEMSA sold certain of its private label brands to The Coca-Cola Company. Because Coca-Cola FEMSA has significant continuing involvement with these brands, (i.e. it continues producing and selling these products), proceeds received from The Coca-Cola Company were initially deferred and are being amortized against the related costs of future product sales over the estimated period of such sales. The balance of unearned revenues as of December 31, 2009 and 2008 amounted to Ps. 616 and Ps. 571, respectively. The short-term portions of such amounts are presented as other current liabilities, amounted Ps. 203 and Ps. 139 at December 31, 2009 and 2008, respectively.

q) Operating Expenses:

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

Selling expenses include:

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

r) Other Expenses:

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

PTU is applicable to Mexico and Venezuela. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income, except for considering depreciation of historical rather than restated values, foreign exchange gains and losses, which are not included until the asset is disposed of or the liability is due and other effects of inflation are also excluded. In Venezuela, employee profit sharing is computed at a rate equivalent to 15% of after tax income, and it is no more than four months of salary.

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

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

s) Income Taxes:

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

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

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

t) Comprehensive Financing Result:

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

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

u) Derivative Financial Instruments:

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

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

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

The Company designates its financial instruments as cash flow hedges at the inception of the hedging relationship, when transactions meet all hedging accounting requirements. For cash flow hedges, the effective portion is recognized temporarily in cumulative other comprehensive income (loss) within stockholders' equity and subsequently reclassified to current earnings at the same time the hedged item is recorded in earnings. When derivative financial instruments do not

meet all of the accounting requirements for hedging purposes, the change in fair value is immediately recognized in net income. For fair value hedges, the changes in the fair value are recorded in the consolidated results in the period the change occurs as part of the market value gain or loss on ineffective portion of derivative financial instruments.

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

v) Cumulative Other Comprehensive Income (Loss):

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

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

The changes in the cumulative translation adjustment were as follows:

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

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

w) Provisions:

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

x) Issuances of Subsidiary Stock:

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

y) Earnings per Share:

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

Note 5. Acquisitions.

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

a) Coca-Cola FEMSA:

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

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

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

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

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

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

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

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

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

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

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

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

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

vii) Unaudited Pro Forma Financial Data.

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

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

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

	FEMSA unaudited pro forma consolidated results for the years ended December 31,	
	2008	2007
Total revenues	**Ps. 169,966**	Ps. 152,195
Income before taxes	**14,008**	17,423
Controlling Interest Net income	**9,662**	12,290

b) FEMSA Cerveza:

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

Note 6. Accounts Receivable.

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

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

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

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

Note 7. Inventories.

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

Note 8. Other Current Assets.

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

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

Note 9. Investments in Shares.

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

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

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

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

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

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

Note 10. Property, Plant and Equipment.

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

As of December 31, 2009, the Company has identified long-term assets investments of Ps. 1,742 that are not ready for their intended use and met the definition of qualified assets for comprehensive financing result capitalization, which amounted to Ps. 145. As of December 31, 2008 and 2007, the capitalization of the comprehensive financing result did not have a significant impact in the consolidated financial statements.

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

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

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

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

Note 11. Intangible Assets.

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

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

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

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

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

(1) See Note 4 j.

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

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

Note 12. Other Assets.

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

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

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

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

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

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

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

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

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

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

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

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

Note 14. Balances and Transactions in Foreign Currencies.

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

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

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

As of June 18, 2010, the exchange rate published by "Banco de México" was Ps. 12.5875 Mexican pesos per one U.S. Dollar, and the foreign currency position was similar to that as of December 31, 2009.

Note 15. Labor Liabilities.

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

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

a) Assumptions:

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

	Nominal Rates [1]		Real Rates [2] [3]	
	2009	2008	**2009**	2008
Annual discount rate	8.2%	8.2%	4.5%	4.5%
Salary increase	5.1%	5.1%	1.5%	1.5%
Return on assets	8.2%	11.3%	4.5%	4.5%

Measurement date: December 2009

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

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

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

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

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

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b) **Balances of the Liabilities:**

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

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

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

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c) Trust Assets:

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

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

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

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

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

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

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

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d) **Cost for the Year:**

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

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

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e) Changes in the Balance of the Obligations:

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

f) Changes in the Balance of the Trust Assets:

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

g) Variation in Health Care Assumptions:

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

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

Note 16. Bonus Program.

The bonus program for executives is based on complying with certain goals established annually by management, which include quantitative and qualitative objectives and special projects.

The quantitative objectives represent approximately 50% of the bonus and are based on the Economic Value Added ("EVA") methodology. The objective established for the executives at each entity is based on a combination of the EVA per entity and the EVA generated by the Company, calculated at approximately 70% and 30%, respectively. The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

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

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

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

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

	Number of Shares			
	FEMSA UBD		KOF L	
	2009	2008	2009	2008
Beginning balance	9,752,206	7,431,459	2,471,075	1,663,746
Shares granted to executives	5,386,760	4,592,920	1,340,790	1,267,490
Shares released from trust to executives upon vesting	(3,070,478)	(2,241,393)	(742,249)	(447,159)
Forfeitures	(86,323)	(30,780)	(15,510)	(13,002)
Ending balance	11,985,165	9,752,206	3,054,106	2,471,075

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

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Note 17. Bank Loans and Notes Payable.

(in millions of Mexican pesos)	At December 31, 2009 [1] 2010	2011	2012	2013	2014	2015 and Thereafter	2009	Fair Value	2008 [1]
Short-term debt:									
Variable rate debt:									
Mexican pesos	1,400						**1,400**	1,400	3,820
Interest rate	8.2%						**8.2%**		11.6%
Argentine pesos	1,179						**1,179**	1,179	816
Interest rate	20.7%						**20.7%**		19.6%
Colombian pesos	496						**496**	496	798
Interest rate	4.9%						**4.9%**		15.2%
Venezuelan bolivares	741						**741**	741	365
Interest rate	18.1%						**18.1%**		22.2%
Total short-term debt	3,816						**3,816**	3,816	5,799
Long-term debt:									
Fixed rate debt:									
U.S. dollars	36	3					**39**	39	217
Interest rate	3.5%	3.8%					**3.6%**		4.8%
J.P. Morgan (Yankee Bond)									3,605
Interest rate									7.3%
Units of investment (UDIs)						2,964	**2,964**	2,964	2,962
Interest rate						4.2%	**4.2%**		4.2%
Mexican pesos	2,200	280	1,916				**4,396**	4,535	5,036
Interest rate	10.1%	12.3%	10.0%				**10.2%**		10.2%
Japanese yen									120
Interest rate									2.8%
Argentine pesos		69					**69**	69	—
Interest rate		20.5%					**20.5%**		
Brazilian reais									1
Interest rate									10.7%
Subtotal	2,236	352	1,916	—	—	2,964	**7,468**	7,607	11,671
Variable rate debt:									
U.S. dollars	70	1,113	2,228	2,731	16		**6,158**	6,158	6,266
Interest rate	0.8%	0.7%	0.6%	0.5%	1.9%		**0.6%**		2.3%
Mexican pesos									
Inbursa	712		3,473		1,100	1,450	**6,735**	6,735	—
Interest rate	5.2%		8.2%		5.2%	5.1%	**6.7%**		
BBVA Bancomer	2,000	1,762					**3,762**	3,762	2,762
Interest rate	5.5%	5.2%					**5.4%**		9.0%
Crédito Bursátil TIIE 6 Years				3,500			**3,500**	3,399	3,500
Interest rate				4.9%			**4.9%**		8.7%
Santander Serfin		2,800	625	625			**4,050**	4,050	3,843
Interest rate		8.5%	5.1%	5.1%			**7.4%**		9.0%
ABN Crédito Bursátil		1,500	3,000				**4,500**	4,425	3,000
Interest rate		4.9%	4.9%				**4.9%**		8.7%
Others	19	5	898	1,085	292	1,375	**3,674**	3,674	6,112
Interest rate	4.6%	4.6%	5.1%	5.1%	5.1%	1.4%	**3.7%**		9.0%
Colombian pesos									905
Interest rate									15.4%
Subtotal	2,801	7,180	10,224	7,941	1,408	2,825	**32,379**	32,203	26,388
Total long-term debt	5,037	7,532	12,140	7,941	1,408	5,789	**39,847**	39,810	38,059
Current portion of long-term debt							**(5,037)**		(5,849)
							Ps.34,810		Ps.32,210

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

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

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

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

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

Note 18. Other Expenses.

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

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

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

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

Note 19. Fair Value of Financial Instruments.

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

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

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

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

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

a) Total Long-Term Debt:

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

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

b) Interest Rate Swaps:

The Company uses interest rate swaps to offset the interest rate risk associated with its borrowings, pursuant to which it pays amounts based on a fixed rate and receives amounts based on a floating rate. These instruments are recognized in the consolidated balance sheet at their estimated fair value and have been designated as a cash flow hedge. The estimated fair

value is based on formal technical models. Changes in fair value were recorded in cumulative other comprehensive income until such time as the hedged amount is recorded in earnings.

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

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

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

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

c) Forward Agreements to Purchase Foreign Currency:

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

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

d) Cross Currency Swaps:

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

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

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

e) Commodity Price Contracts:

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

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

f) Embedded Derivative Financial Instruments:

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

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

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

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

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

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

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

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

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

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

Note 20. Noncontrolling Interest in Consolidated Subsidiaries.

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

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

(1) Refers to the noncontrolling interest in Kaiser.

Note 21. Stockholders' Equity.

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

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

The characteristics of the common shares are as follows:

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

The Series "D" shares are comprised as follows:

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

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

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

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

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

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

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

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

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

Dividends paid in excess of CUFIN and CUFINRE are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid and in the following two years against the income tax and estimated tax payments. As of December 31, 2009, FEMSA's balances of CUFIN amounted to Ps. 55,604.

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

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

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

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

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

Note 22. Net Controlling Interest Income per Share.

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

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

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

Note 23. Taxes.

a) Income Tax:

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

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

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

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

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

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

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

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

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

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

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b) Tax on Assets:

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

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

c) Business Flat Tax ("IETU"):

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

Based on its financial projections for purposes of its Mexican tax returns, the Company expects to pay corporate income tax in the future and does not expect to pay IETU. As such, the enactment of IETU did not impact the Company's consolidated financial position or results of operations.

d) Deferred Income Tax:

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

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

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

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

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

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

e) Provision for the Year:

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

(1) Effect due to 2010 Mexican tax reform.

f) Tax Loss Carryforwards and Recoverable Tax on Assets:

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

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

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

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

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

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

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

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

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

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

Note 24. Other Liabilities, Contingencies and Commitments.

a) Other Current Liabilities:

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

b) Other Liabilities:

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

c) Contingencies Recorded in the Balance Sheet:

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

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

d) Changes in the Balance of Contingencies Recorded:

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

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

e) Unsettled Lawsuits:

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

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

f) Collateralized Contingencies:

As is customary in Brazil, the Company has been requested by the tax authorities to collateralize tax contingencies currently in litigation amounting to Ps. 3,251 by pledging fixed assets and entering into available lines of credit which cover such contingencies.

g) Commitments:

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

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

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

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

Note 25. Information by Segment.

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

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

a) By Business Unit:

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

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

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

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

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

b) By Geographic Area:

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

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

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

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

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

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

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

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

As discussed in Note 2, the consolidated financial statements of the Company are prepared in accordance with Mexican FRS, which differs in certain significant respects from U.S. GAAP. A reconciliation of the reported net income, stockholders’ equity and comprehensive income to U.S. GAAP is presented in Note 27. It should be noted that this reconciliation to U.S. GAAP as of December 31, 2007, does not include the reversal of the restatement of the financial statements required by NIF Bulletin B-10, “Recognition of the Effects of Inflation in the Financial Information” of Mexican FRS; as of December 31, 2009 and 2008, the Company adopted NIF B-10 “Effects of Inflation” which does not require it to restate the financial information if the company operates in an noninflationary economic environment (see Note 4 a).

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

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

a) Consolidation of Coca-Cola FEMSA:

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

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

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

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

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

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

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

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

b) Restatement of Prior Year Financial Statements:

Under U.S. GAAP, the Company applies the regulations of the Securities and Exchange Commission of the United States of America ("SEC"), which allows it to not reconcile 2007 financial statements which were previously restated in constant units of the reporting currency. Beginning on January 1, 2008, in accordance with NIF B-10, the Company discontinued inflationary accounting for subsidiaries that operate in non-inflationary economic environments. As a result prior years financial information and all other adjustments for U.S. GAAP purposes, were restated and translated as of December 31, 2007, which is the date of the last recognition of inflation effects. The cumulative effect of previously realized and unrealized results of holding non-monetary assets (RETANM) of previous periods was reclassified to retained earnings as described in Note 2 g. This reclassification does not result in a difference to reconcile for U.S. GAAP purposes since those amounts are ultimately recognized in the Company's financial statements.

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

c) Classification Differences:

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

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

d) Start-Up Expenses:

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

e) Intangible Assets:

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

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

f) Restatement of Imported Equipment:

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

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

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

g) Capitalization of the Comprehensive Financing Result:

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

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

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

h) Fair Value Measurements:

In 2008, the Company adopted a FASB pronouncement that establishes a framework for measuring fair value providing a consistent definition that focuses on exit price and prioritizes, the use of market based inputs over company specific inputs. This pronouncement requires companies to consider its own nonperformance risk when measuring liabilities carried at fair value, including derivative financial instruments. The effective date of this standard for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually) started on January 1, 2009.

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

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

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

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

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

i) Deferred Income Taxes, Employee Profit Sharing and Uncertain Tax Positions:

The calculation of deferred income taxes and employee profit sharing for U.S. GAAP purposes differs from Mexican FRS as follows:

- Under Mexican FRS, inflation effects on the deferred taxes balance generated by monetary items are recognized in the income statement as part of the result of monetary position of inflationary economic environments. Under U.S. GAAP, the deferred taxes balance is classified as a non-monetary item. As a result, the consolidated income statement differs with respect to the presentation of the gain or loss on monetary position and deferred income taxes provision;
- Under Mexican FRS, deferred employee profit sharing is calculated using the asset and liability method, which is the method used to compute deferred income taxes under U.S. GAAP. Employee profit sharing is deductible for purposes of Mexican taxes from profit. This deduction reduces the payments of income taxes in subsequent years. For Mexican FRS purposes, the Company did not record deferred employee profit sharing, since is not expected to materialize in the future; and
- The differences in restatement of imported machinery and equipment, capitalization of interest expenses, employee benefits, deferred employee profit sharing and through 2008 start-up expenses, explained in Note 26 d, f, g, and j, generate a difference when calculating the deferred income taxes under U.S. GAAP compared to that presented under Mexican FRS (see Note 23 d).

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

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

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

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

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

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

According to U.S. GAAP, the Company is required to recognize in its financial statements the impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than 50% likely of being realized Any excess between the tax position taken in the tax return and the tax position recognized in the financial statements using the criteria above results in the recognition of a liability in the financial statements for the uncertain tax position. Similarly, if a tax position fails to meet the more-likely-than-not recognition threshold, the benefit taken in tax return will also result in the recognition of a liability in the financial statements for the full amount of the unrecognized benefit. According to Mexican FRS, the Company is required to record tax contingencies in its financial statements when such liabilities are probable in nature and estimable. However, this difference between Mexican FRS and U.S. GAAP is not material to the Company's consolidated financial statements during any of the periods presented herein, and has thus not resulted in a reconciling item.

j) Employee Benefits:

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

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

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

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

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

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

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

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

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

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

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

l) Noncontrolling Interests:

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

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

m) FEMSA's Noncontrolling Interest Acquisition:

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

In accordance with U.S. GAAP, the acquisition of noncontrolling interest must be accounted for under the purchase method, using the market value of shares received by FEMSA in the exchange offer to determine the cost of the

acquisition of such noncontrolling interest and the related goodwill. Under U.S. GAAP, the direct out-of-pocket costs identified with the purchase of noncontrolling interest are treated as additional goodwill.

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

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

n) Statement of Cash Flows:

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

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

o) Financial Information Under U.S. GAAP:

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

Consolidated Statements of Income and Comprehensive Income	2009	2008	2007
Net sales	**Ps. 102,039**	Ps. 90,941	Ps. 82,887
Other operating revenues	**863**	709	475
Total revenues	**102,902**	91,650	83,362
Cost of sales	**59,841**	53,419	48,831
Gross profit	**43,061**	38,231	34,531
Operating expenses:			
Administrative	**7,949**	6,113	5,944
Selling	**26,451**	24,237	20,920
	34,400	30,350	26,864
Income from operations	**8,661**	7,881	7,667
Comprehensive financing result:			
Interest expense	**(3,013)**	(2,561)	(2,417)
Interest income	**310**	181	158
Foreign exchange (loss) gain, net	**(26)**	(217)	592
(Loss) gain on monetary position, net	**(1)**	(1)	664
Market value (loss) gain on ineffective portion of derivative financial instruments	**73**	(24)	(2)
	(2,657)	(2,622)	(1,005)
Other (expenses) income, net	**52**	241	(124)
Income before taxes	**6,056**	5,500	6,538
Taxes	**(127)**	1,787	1,610
Income before participation in affiliated companies	**6,183**	3,713	4,928
Participation in affiliated companies:			
Coca-Cola FEMSA	**4,516**	2,994	3,635
Other associates companies	**(14)**	(108)	26
	4,502	2,886	3,661
Net income	**Ps. 10,685**	Ps. 6,599	Ps. 8,589
Less: Net income attributable to the noncontrolling interest	**(783)**	253	(32)
Net income attributable to controlling interest	**Ps. 9,902**	Ps. 6,852	Ps. 8,557
Consolidated net income	**Ps. 10,685**	**Ps. 6,599**	**Ps. 8,589**
Other comprehensive income	**4,335**	(2,241)	2,149
Consolidated comprehensive income	**Ps. 15,020**	Ps. 4,358	Ps. 10,738
Less: Comprehensive income attributable to the noncontrolling interest	**(776)**	193	(532)
Comprehensive income attributable to controlling interest	**Ps. 14,244**	Ps. 4,551	Ps. 10,206
Net controlling income per share:			
Per Series "B" share	**Ps. 0.49**	Ps. 0.34	Ps. 0.43
Per Series "D" share	**0.62**	0.43	0.53

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

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

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

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

a) Reconciliation of Net Income:

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

Under U.S. GAAP, as of December 31, 2007, the monetary position effect of the income statement adjustments of inflationary economic environments is included in each adjustment, except for the capitalization of interest expenses as well as pension plan liabilities, which are non-monetary.

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b) Reconciliation of Stockholders' Equity:

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

c) Reconciliation of Comprehensive Income:

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

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

a) Mexican FRS:

In October 2008, the Comisión Nacional Bancaria y de Valores (CNBV) issued a press release to notify its intention to adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), for issuers whose securities are offered or sold in Bolsa Mexicana de Valores (BMV). For this purpose, CNBV will work on the regulatory adjustments to establish issuers' requirements to prepare and disclose their financial information using IFRS starting on 2012. Additionally, CNBV permits issuers to adopt IFRS in an anticipated manner (for 2008, 2009, 2010 and 2011 reports). The Company is currently in process to evaluate the impact of adopting IFRS.

The following accounting standards have been issued under Mexican FRS the application of which is required as indicated. Except as otherwise noted, we will adopt these standards when they become effective. The Company is in the

process of assessing the effect of adopting the new standards, but we do not anticipate any significant impact except as may be described below:

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

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

- **NIF B-9, "Interim Financial Reporting"**

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

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

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

b) U.S. GAAP:

The following accounting standard has been issued under U.S. GAAP, the application of which is required as indicated. We will adopt this standard as of January 1, 2010. The Company is in the process of assessing the effect of adopting this new standard, but we do not anticipate any significant impact.

- **"Amendments to SFAS Interpretation FIN 46R," ASC 810 (formerly SFAS No. 167)**

  The objective of issuing amendments to ASC 810 is to improve financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address (1) the effects on certain provisions of ASC 810, "Consolidation" as a result of the elimination of the qualifying special-purpose entity concept in ASC 860-10-65, and (2) constituent concerns about the application of certain key provisions of ASC 810, including those in which the accounting and disclosures under ASC 810 do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This Statement retains the scope of ASC 810 with the addition of entities previously considered qualifying special-purpose entities, as the concept of these entities was eliminated ASC 860-10-65 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. Earlier application is prohibited.

Note 29. Subsequent Events.

- On January 7, 2010, Venezuela's National Consumer Price Index for December 2009 was released. The cumulative three-year inflation rate for Venezuela's was 101.6% as of December 31, 2009. As a result, beginning on January 1, 2010, the Company is considering Venezuela as hyperinflationary for US GAAP purposes and financial statements of

Venezuelan entities will be remeasured as if the functional currency were the reporting currency (Mexican pesos) as of January 1, 2010. For Mexican FRS, Venezuela is considered an inflationary economy since cumulative 3-year inflation rate is higher than 26%.

- On January 8, 2010, Venezuelan President Hugo Chavez announced the devaluation of the bolivar (BsF). The official exchange rate of 2.150 bolivars to the dollar, in effect since 2005, was replaced effective January 11, 2010, with a multiple exchange regime. The official exchange rates will be (1) “the essentials rate” at BsF 2.60 per dollar and (2) “the non-essentials rate” at BsF 4.30 per dollar for non-priority categories and, (3) the recognition of the existence of other exchange rate in which the government shall intervene. The president announced that importers of essential items such as food, medicine, heavy machinery, family remittances, and public sector imports including school supply, science, and technology needs, will be able to buy dollars at a rate of 2.60 bolivars, and a higher rate of 4.30 bolivars will apply to most of the economy, including the automobile, chemicals, rubber and plastics, appliances, textile, electronics, tobacco, beverages, and telecommunications sectors, as well as to repatriation of dividends by foreign investors. The exchange rate that will be used to translate the Company’s financial statements to its reporting currency beginning in January 2010 pursuant to the applicable accounting rules will be 4.30 bolivars per U.S. dollar. As of December 31, 2009, the financial statements were translated to Mexican pesos using the exchange rate of 2.15 bolivars per U.S. dollar. As a result of this devaluation, the balance sheet of the Venezuelan subsidiary of Coca-Cola FEMSA reflected a reduction in shareholders equity of Ps. 3,700 million which will be accounted for at the time of the devaluation in January 2010. The devaluation of the bolivars did not result in significant exchange losses in January 2010 as a result of remeasuring US Dollar denominated monetary items on hand as of December 31, 2009.
- On January 11, 2010, FEMSA announced the exchange of the FEMSA Cerveza business unit for an interest in Heineken Group. On April 26, 2010, FEMSA’s shareholder meeting approved this share exchange which was completed on April 30, 2010. As of the closing date, FEMSA received 43,009,699 shares of Heineken NV, 43,018,320 shares of Heineken Holding NV and an Allotted Share Instrument that represents 29,172,504 of shares that will be delivered during the following 5 years these holdings represent 20% of the economic interest in Heineken Group. The shares received by FEMSA represent 7.47% of Heineken NVand 14.94% of Heineken Holding NV. The Allotted Share Instrument represents 5.06% of Heineken NV and is represented by ordinary shares which have the right to participate in all dividends and other distributions declared, paid or made after the closing date, or in respect of such Heineken ordinary shares. The total transaction is valued at approximately US$7.3 billion, based on closing prices of Heineken Holding N.V. and Heineken N.V.shares as of April 30, 2010, including the assumed debt of US$2.1 billion.

Summarized carrying amount of major classes of assets and liabilities of the FEMSA Cerveza business unit exchanged for the Heineken interests under US GAAP is presented as follows as of December 31, 2009:

Financial Information Under US GAAP	2009
Receivables	6,284
Inventories	4,426
Other current asets	3,454
Total current assets	14,164
Intangible assets	18,990
Property, plant and equipment	29,327
Other long-term assets	11,130
Total long-term assets	59,447
TOTAL ASSETS	73,611
Suppliers	4,600
Other current liabilities	6,516
Total current liabilities:	11,116
Bank loans	13,354
Other long-term liabilities	20,947
Long-Term Liabilities	34,301
TOTAL LIABILITIES	45,417

- On February 1, 2010, FEMSA and The Coca-Cola Company signed a second amendment to the shareholders agreement that contractually gives FEMSA the rights to govern the operating and financial policies of Coca-Cola FEMSA and to exercise control over its operations in the ordinary course of business. The amendment also grants protective rights to

The Coca-Cola Company on such items as mergers, acquisitions or sales of any line business. This amendment represents a change in control over Coca-Cola FEMSA, and was signed without transfer of any consideration. Under US GAAP, this amendment should be accounted for as a business combination without transfer of any consideration.

As a result, FEMSA has estimated Coca-Cola FEMSA's fair value based on recognized techniques as of the date of acquisition of Ps. 147,732. As of the issuance of this annual report, the Company is in the process to determine the purchase price allocation based on the fair value mentioned above, The allocation of the purchase price to the assets and liabilities will be finalized at a later date, as we obtain more information regarding assets valuations, liabilities assumed and revisions of preliminary estimates of fair values made at the date of purchase.

Unaudited Pro Forma Financial Data.

The following unaudited consolidated pro forma financial data is based on the Company's historical US GAAP's financial statements, adjusted to give effect to the acquisition of Coca-Cola FEMSA mentioned in the preceding paragraphs

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

Financial information under US GAAP	FEMSA unaudited pro forma consolidated results for the years ended December 31,	
	2009	2008
Total revenues	**Ps. 194,621**	Ps. 166,134
Income before taxes	**18,296**	13,196
Net income	**15,023**	9,408
Net income attributable to the controlling interest	**9,902**	6,849
Net income attributable to the noncontrolling interest	**5,121**	2,559

- On February 5, 2010, Coca-Cola FEMSA closed the issuance of US $500 in Senior Notes, bearing interest at a fixed rate of 4.625%, which due February 15, 2020. Coca-Cola FEMSA has entered into a registration rights agreement with the holders of the Senior Notes requiring Coca-Cola FEMSA to register the Senior Notes with the United States Securities and Exchange Commission which is expected to be completed in the current year. With the proceeds from the issuance of the US$ 500 Senior Notes. Coca-Cola FEMSA repaid at maturity its Certificados Bursatiles on February 25, 2010 for Ps. 2,000 as well as Ps. 1,000 on April 16, 2010.
- On February 11, 2010, the FEMSA's Board of Directors agreed to propose an ordinary dividend of Ps. 2,600 million. This dividend was approved at the Annual Shareholders meeting on April 26, 2010 and represents an increase of 62% as compared to the dividend that was paid in 2009. The dividend payments for 2010 were divided into two equal payments. The first payment was paid on May 4, 2010, and the second payment will be paid on November 3, 2010.

On February 10, 2010, Coca Cola FEMSA´s Board of Directors agreed to propose an ordinary dividend of Ps. 2,604 million. This dividend was approved at the Annual Shareholders meeting on April 14, 2010 and represents an increase of 94% as compared to the dividend that was paid on April 26, 2009.

Report of Independent Registered Public Accounting Firm

To the Stockholder of
FEMSA COMERCIO, S.A. de C.V.

We have audited the consolidated statements of income, changes in stockholders' equity and changes in financial position of **FEMSA COMERCIO, S.A. de C.V. and Subsidiaries (a wholly-owned subsidiary of FOMENTO ECONÓMICO MEXICANO, S.A. de C.V.)** for the year ended December 31, 2007 (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of their operation and changes in their financial position of **FEMSA COMERCIO, S.A. de C.V. and Subsidiaries** for the year ended December 31, 2007, in conformity with Mexican financial reporting standards, which differ in certain significant respects from accounting principles generally accepted in the United States of America, as described in Notes 21 and 22 to the consolidated financial statements.

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

C.P.C. Aldo Villarreal Robledo

San Pedro Garza García, N.L., Mexico
June 12, 2008

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: June 25, 2010

Fomento Económico Mexicano, S.A.B. de C.V.

By:	/s/ Javier Astaburuaga Sanjines
Name:	**Javier Astaburuaga Sanjines**
Title:	**Executive Vice-President of Finance and Strategic Development / Chief Financial Officer**

Exhibit 1.2

SHARE EXCHANGE AGREEMENT

by and between

HEINEKEN HOLDING N.V.,

HEINEKEN N.V.,

COMPAÑÍA INTERNACIONAL DE BEBIDAS, S.A. DE C.V.,

GRUPO INDUSTRIAL EMPREX, S.A. DE C.V.

and

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V.

Dated as of

January 11, 2010

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SHARE EXCHANGE AGREEMENT

Share Exchange Agreement (this "Agreement"), dated as of January 11, 2010, by and between Heineken Holding N.V., a *naamloze vennootschap* ("Heineken Holding"); Heineken N.V., a *naamloze vennootschap* ("Heineken", together with Heineken Holding, the "Heineken Parties"), Fomento Económico Mexicano, S.A.B. de C.V., a legal entity incorporated under the laws of Mexico ("FEMSA"), Compañía Internacional de Bebidas, S.A. de C.V., a legal entity incorporated under the laws of Mexico ("Compañía Internacional de Bebidas") and Grupo Industrial Emprex, S.A. de C.V., a legal entity incorporated under the laws of Mexico ("Grupo Industrial", together with FEMSA and Compañía Internacional de Bebidas, the "FEMSA Parties"). Each Heineken Party and each FEMSA Party are sometimes herein referred to individually as a "Party" and together as the "Parties."

WHEREAS each of the board of directors (*raad van beheer*) of Heineken Holding, the board of directors (*raad van bestuur*) and the supervisory board (*raad van commissarissen*) of Heineken, and the board of directors of FEMSA has unanimously approved, and deems it advisable and in the best interests of its respective stockholders to consummate the transfer by the FEMSA Parties to Heineken of 100% of the outstanding capital stock of Emprex Cerveza, S.A. de C.V., a legal entity incorporated under the laws of Mexico (the "Company"), comprising the direct transfer of the FEMSA Exchange Shares (as defined herein) and the indirect transfer of the Desarrollo Company Share (as defined herein), in exchange for the issue of the Heineken Exchange Shares (as defined herein), upon the terms and subject to the conditions set forth herein;

WHEREAS, concurrently, the FEMSA Parties desire to transfer to Heineken Holding 50% of the Heineken Exchange Shares in exchange for the issue of the Heineken Holding Exchange Shares (as defined herein), upon the terms and subject to the conditions set forth herein; and

WHEREAS the Heineken Parties and FEMSA wish to set forth in the Corporate Governance Agreement the terms governing certain rights and obligations FEMSA will have as a shareholder of Heineken Holding and Heineken after the Closing;

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context clearly requires otherwise:

"Accounting Arbitrator" shall have the meaning set forth in Section 2.2(c).

"Accounting Firm" shall have the meaning set forth in Section 6.17(c)(iii).

"Affiliate" shall mean, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person; provided that with respect to FEMSA, "Affiliates" shall not include The Coca-Cola Company and any of its Affiliates (other than KOF and its Subsidiaries).

"AFM" shall mean the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

"Agreement" or "this Agreement" shall mean this Share Exchange Agreement, together with the Exhibits, Appendices and Schedules hereto and the FEMSA Disclosure Letter.

"Allotted Share Delivery Instrument" shall mean the Allotted Share Delivery Instrument by and between Heineken and FEMSA to be entered into on or prior to the Closing Date substantially in the form attached hereto as Exhibit A.

"Allotted Shares" shall mean the shares of Heineken that are the subject of the Allotted Share Delivery Instrument.

"Already Pending Proceeding" shall have the meaning set forth in Section 10.8(c).

"Alternative Acquisition Proposal" shall have the meaning set forth in Section 6.15.

"Ancillary Agreements" shall mean the agreements substantially in the form set forth in Exhibits D-R.

"Acquisition Proposal" shall have the meaning set forth in Section 6.16(a)(i).

"Audits" shall have the meaning set forth in Section 4.17(c).

"Balance Sheet" shall mean the November 30, 2009 balance sheet included in the FEMSA Cerveza Financial Statements or the June 30, 2009 balance sheet included in the Heineken Financial Statements (as applicable).

"Balance Sheet Date" shall mean November 30, 2009 in respect of FEMSA Cerveza Financial Statements or June 30, 2009 in respect of the Heineken Financial Statements (as applicable).

"Banco de México Rate" shall have the meaning set forth in Section 1.2(h).

"Bolsa" shall mean the *Mexican Bolsa Mexicana de Valores, S.A.B. de C.V.*

"Brazil" shall mean the Federative Republic of Brazil (*República Federativa do Brazil*).

"Brazilian Antitrust Law" shall have the meaning set forth in Section 6.4(e)(i).

"Brazilian Intercompany Loan" means any and all the amounts borrowed as of the Reference Date by Kaiser from FEMSA Cerveza.

"Brazilian Taxes" shall have the meaning set forth in Section 9.2(b).

"Business Day" shall mean a day other than Saturday, Sunday or any day on which the principal commercial banks located in Mexico or in Amsterdam, The Netherlands are authorized or obligated to close under applicable Laws.

"Call Option Completion" shall have the meaning set forth in Section 6.18(f)(iii).

"Call Option Notice" shall have the meaning set forth in Section 6.18(e).

"Cash" shall mean the consolidated cash, marketable securities and any other cash equivalent of the Company and the Company Subsidiaries, in each case in accordance with Mexican FRS (specifically as calculated under paragraph 8 of bulletin C-1).

"Claim Notice" shall have the meaning set forth in Section 9.4(a).

"Closing" shall have the meaning set forth in Section 3.1(a).

"Closing Date" shall have the meaning set forth in Section 3.1(a).

"Closing Date Note" shall mean that certain note issued on the Closing Date by the Company to FEMSA or a designated Affiliate of FEMSA, denominated in U.S. Dollars, in the amount equal to the Heineken Closing Payment, if any, and substantially in the form attached hereto as Exhibit B.

"Closing Payment" shall have the meaning set forth in Section 2.2(d).

"CNBV" shall mean the *Mexican Comisión Nacional Bancaria y de Valores*.

"Coffee Credits" shall mean the credits purchased by Cervejarias Kaiser Brasil S.A. and Cervejarias Kaiser Nordeste S.A. from Brazilian coffee companies generated by judicial disputes related to an extinguished tax named Tax for the Brazilian Coffee Institute (*Cota de Contribuição nas Exportações de Café destinada ao Instituto Brasileiro de Café*).

"Compañía Internacional de Bebidas" shall have the meaning set forth in the Preamble to this Agreement.

"Company" shall have the meaning set forth in the Recitals to this Agreement.

"Company Group Employees" shall have the meaning set forth in Section 6.18(c).

"Company Intellectual Property" shall mean all Intellectual Property that is used in the business of the Company or any Subsidiary of the Company.

"Company Material Adverse Effect" shall mean any event, change, circumstance, occurrence, effect or state of facts that (i) is or would reasonably be expected to be materially adverse to the assets, liabilities, condition (financial or otherwise), business or results of operations of the Company and the Company Subsidiaries taken as a whole or (ii) materially impairs the ability of the Company or FEMSA to consummate, or prevents or materially delays, any of the transactions contemplated by this Agreement or the Transaction Documents; provided that none of the following, in and of itself or themselves, shall constitute (or be taken into account in determining the occurrence of) a Company Material Adverse Effect: (A) effects resulting from changes in the economy or financial, credit, banking, currency, commodities or capital markets generally in Mexico, Brazil, the United States or other countries in which the Company and the Company Subsidiaries conduct material operations or any changes in currency exchange rates, interest rates, monetary policy or inflation; (B) effects resulting from changes that are the result of factors generally affecting the beer or packaging industries; (C)(1) effects resulting from changes (subsequent to the date hereof) in Law or (C)(2) effects resulting from changes (subsequent to the date hereof) in Mexican or international financial reporting standards or rules; (D) any act of God or other calamity, national or international, political or social conditions (including the engagement by any country in hostilities, whether commenced before or after the date hereof, and whether or not pursuant to the declaration of a national emergency or war), or the occurrence of any military or terrorist attack; (E) effects resulting from any failure by the Company to meet any estimates of revenues or earnings on or after the date of this Agreement, provided that the exception in this clause (E) shall not prevent or otherwise affect any change, effect, circumstance or development underlying such failure from being taken into account in determining whether a Company Material Adverse Effect has occurred; or (F) (i) the announcement or the existence of the Agreement, the Corporate Governance Agreement and the transactions contemplated hereby or thereby (including any related or resulting loss of or change in relationship with any customer, supplier, distributor, wholesaler or other business partner, or departure of any employee or officer, or any litigation or other Proceeding), including by reason of the identity of any Heineken Party or any plans or intentions of any Heineken Party with respect to the conduct of the business of any of the Company or the Company Subsidiaries or (ii) compliance with the terms of, or any actions taken pursuant to, this Agreement (other than compliance with Section 6.1 hereof), the Corporate Governance Agreement, or any failures to take action which is prohibited by this Agreement, the Corporate Governance Agreement, or such other changes or events to which any Heineken Party has expressly consented in writing; provided further that with respect to clauses (A), (B), (C)(1) and (D) the impact of such event, change, circumstance, occurrence, effect or state of facts is not disproportionately adverse to the Company and the Company Subsidiaries taken as a whole relative to other industry participants.

"Company Material Contract" shall mean each Contract:

(a) which creates future payment obligations of, or from any party to, the Company or any of the Company Subsidiaries in excess of $5,000,000 in the aggregate and which by its terms does not terminate or is not terminable without penalty or liability by the Company or any Company Subsidiary upon notice of one year or less;

(b) which is a partnership, limited liability company, joint venture or similar agreement, or pursuant to which the Company or any of the Company Subsidiaries has an obligation to make a material investment in or loan to any Person;

(c) under which the Company or any of the Company Subsidiaries has created, incurred, assumed, guaranteed or secured Indebtedness in excess of $5,000,000;

(d) involving any "keep well" arrangements or relating to outstanding letters of credit or performance bonds or creating any liability as guarantor, surety, co-signer, endorser, co-maker or indemnitor, in each case in respect of the obligation of any Person to make payments or perform services in excess of $5,000,000;

(e) relating to the acquisition or disposition of any material business, operations or division (whether by merger, creation of a joint venture, sale of stock, sale of assets or otherwise) to the extent any obligations or claims thereunder remain in excess of $5,000,000;

(f) containing outstanding obligations relating to the settlement of any Proceeding in excess of $5,000,000;

(g) that is between the Company or any Company Subsidiary and any director, officer, individual employee or other individual or for consulting services, in each case with annual payments or change-in-control payments in excess of $5,000,000

(h) that materially limits, or purports to materially limit, the ability of the Company or any Company Subsidiary to compete in any line of business with any Person or in any geographic area or during any period of time;

(i) that is between the Company or any Company Subsidiary and any Governmental Entity which creates a liability in excess of $5,000,000 (except for any such purchase or supply agreements entered into in the ordinary course of business); or

(j) that contain confidentiality clauses in connection with the sale of the Company or any similar transaction involving the FEMSA Cerveza business.

"Company Property" shall have the meaning set forth in Section 4.11.

"Company Subsidiary" shall mean each Subsidiary of the Company.

"Computer Software" shall mean computer software programs, databases and all documentation related thereto.

"Confidentiality Agreement" shall mean the letter agreement dated September 18, 2009 between FEMSA and the Heineken Parties, the side letter dated September 18, 2009 sent by FEMSA to the Heineken Parties, and the letter agreement dated September 16, 2009 between FEMSA and the Heineken Parties.

"Contract" shall mean any written or oral note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation.

"Control Trust" shall mean the trust created under that certain Irrevocable Trust Agreement Number 463 dated August 8, 2005.

"Copyrights" shall mean all registered and unregistered copyrights (including those in Computer Software), copyrights and other applicable intellectual property rights in databases, rights of publicity and all registrations and applications to register the same.

"Corporate Governance Agreement" shall mean the Corporate Governance Agreement by and between the Heineken Parties and FEMSA to be entered into on or prior to the Closing Date substantially in the form agreed to by the Parties, in relation to, among other things, FEMSA's ownership of the Heineken Exchange Shares and Heineken Holding Exchange Shares.

"Desarrollo" shall have the meaning set forth in Section 4.5(a).

"Desarrollo Company Share" shall have the meaning set forth in Section 4.5(a).

"Distribution Agreements" shall mean, collectively, (i) the Memorandum of Understanding by and among Coca-Cola Indústrias Ltda. and Kaiser and, as intervening parties, Molson, Inc. and the KO's Bottlers, dated March 19, 2002 and (ii) the Convention by and among the KO's Bottlers, Kaiser and Coca-Cola Indústrias Ltda., dated March 19, 2002.

"Due Date" shall mean, with respect to any Tax Return, the date such return is due to be filed (taking into account any valid extensions).

"Dutch Act on Financial Supervision" shall mean the Act on Financial Supervision (*Wet op het financieel toezicht*) and any rules or regulations promulgated thereunder, as amended.

"Encumbrances" shall mean any and all liens, charges, security interests, options, rights of first refusal, preemptive rights, claims, mortgages, pledges, rights of usufruct, proxies, voting trusts or agreements, obligations, understandings or arrangements (including depositary receipts of shares (*certificaten van aandelen*) or share certificates (*aandeelbewijzen*) in respect of the relevant asset) or other restrictions on title or transfer of any nature whatsoever.

"Environmental Law" shall mean any and all Laws regulating, relating to or imposing liability or standards of conduct concerning (i) the use of natural resources, (ii) protection of the environment or of human health (iii) the manufacture, processing, distribution, use treatment, storage, disposal, release, remediation, transport or handling of Hazardous Materials, (iv) the exposure of persons to Hazardous Materials, or (v) occupational health and safety.

"Environmental Liabilities" shall mean, with respect to any Person, any and all liabilities of or relating to such Person or any of its Subsidiaries (including any entity which is, in whole or in part, a predecessor of such Person or any of such Subsidiaries), whether vested or unvested, contingent or fixed, actual or potential, known or unknown, which (i) arise under applicable Environmental Laws or with respect to Hazardous Materials (including resulting from an obligation to conduct environmental risk studies or other site investigations) and (ii) are related to actions occurring or conditions existing, on or prior to the Closing Date.

"Euroclear Nederland" shall mean the *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*

"Evaluation Material" shall have the meaning assigned to such term in the Confidentiality Agreement.

"Exchange Act" shall mean the U.S. Securities Exchange Act of 1934 and any rules or regulations promulgated thereunder, as amended.

"Exercising Party" shall have the meaning set forth in Section 6.18(e).

"Fair Market Value" shall have the meaning set forth in Section 6.18(h)(i).

"FEMSA" shall have the meaning set forth in the Preamble to this Agreement.

"FEMSA Cerveza" shall mean FEMSA Cerveza S.A. de C.V., a legal entity incorporated under the laws of Mexico.

"FEMSA Cerveza Financial Statements" shall mean (a) the audited consolidated balance sheets of FEMSA Cerveza and its Subsidiaries as at December 31, 2009, 2008 and 2007 together with consolidated statements of income, of cash flow and of changes stockholders' equity for the year ended December 31, 2009, 2008 and 2007 and the consolidated statements of income and of changes in financial position and stockholders' equity for the years ended December 31, 2009, 2008 and 2007 and (b) the interim consolidated balance sheets of FEMSA Cerveza and its Subsidiaries as at November 30, 2009 and 2008 together with consolidated statements of income, of cash flow and of changes in stockholders' equity for the period ended November 30, 2009 and 2008.

"FEMSA Closing Payment" shall have the meaning set forth in Section 2.2(e).

"FEMSA Control Trust Voting Agreement" shall mean the agreement attached hereto as Exhibit T.

"FEMSA Core Representations and Warranties" shall mean the representations and warranties set forth in Sections 4.1 (Organization), 4.2 (Authorization; Shareholder Approval), 4.3 (Execution; Validity of Agreement); 4.5 (Ownership and Possession of Shares), 4.6 (Capitalization), 4.16(c) (Employee Benefits and Labor Matters) and 4.20 (Brokers or Finders).

"FEMSA Data Room" shall mean, together, (i) the electronic data room hosted by RR Donnelley (named "Top Hat"), which may be updated up to and including January 8, 2010 in accordance with the preamble to Article IV, as memorialized on data disc(s) or similar data storage devices provided to Heineken no later than 2 days prior to the date hereof and (ii) the physical data rooms, which may be updated to and including January 8, 2010, located at Thompson & Knight, S. de R.L. de C.V., ING Torre Comercial América, 30th Floor, Batallón de San Patricio #111, Col. Valle Oriente, San Pedro Garza García, N.L. C.P. 66269, México and Pinheiro Neto Advogados, at Rua Hungria, 1.100, 01455-000, São Paulo, SP., Brazil, as memorialized, with the exception of the books and records of the Company and the Company Subsidiaries, on data disc(s) or similar data storage devices provided to Heineken no later than the date hereof.

"FEMSA Disclosure Letter" shall mean the disclosure letter of even date herewith delivered by FEMSA to the Heineken Parties simultaneously with the execution hereof.

"FEMSA Disclosure Materials" shall have the meaning set forth in the preamble to Article IV.

"FEMSA Exchange Shares" shall have the meaning set forth in Section 2.1(a).

"FEMSA Indemnification Cap" shall have the meaning set forth in Section 9.2(c).

"FEMSA Information Statement" shall have the meaning set forth in Section 6.13(d).

"FEMSA Parties" shall have the meaning set forth in the Preamble to this Agreement.

"FEMSA Representatives" shall mean any employees or representatives of FEMSA not employed by the Company or any of the Company Subsidiaries.

"FEMSA SEC Filings" shall have the meaning set forth in Section 4.8(c).

"FEMSA Shareholder Approval" shall have the meaning set forth in Section 4.2(b).

"FEMSA Shareholder Meeting" shall mean the general meeting of FEMSA's shareholders or any adjournment thereof at which the FEMSA Shareholder Approval will be considered.

"Final Valuation" shall have the meaning set forth in Section 6.18(h)(i)(C).

"FMV Institution List" shall have the meaning set forth in Section 6.18(h)(iii).

"Governmental Entity" shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory or legislative authority or agency.

"Grupo Industrial" shall have the meaning set forth in the Preamble to this Agreement.

"Guarantee" shall mean any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, provided that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" shall mean any chemical, compound, constituent, material, waste, gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants,

radioactivity, and any other substances of any kind, whether or not any such substances is defined as hazardous or toxic under any Environmental Law, that is regulated pursuant to or would give rise to liability or obligation to remediate under any applicable Environmental Law.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under: (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements; (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates.

"Heineken" shall have the meaning set forth in the Preamble to this Agreement.

"Heineken Circulars" shall have the meaning set forth in Section 6.13(a).

"Heineken Closing Payment" shall have the meaning set forth in Section 2.2(f).

"Heineken Core Representations and Warranties" shall mean the representations and warranties set forth in Sections 5.1 (Organization), 5.2 (Authorization; Shareholder Approval), 5.3 (Execution; Validity of Agreement); 5.6 (Capitalization) and 5.11 (Brokers or Finders).

"Heineken Disclosure Materials" shall have the meaning set forth in the preamble to Article V.

"Heineken Exchange Shares" shall have the meaning set forth in Section 2.1(a).

"Heineken Financial Statements" shall mean (a) the audited consolidated balance sheets of each of Heineken Holding and Heineken and their respective consolidated Subsidiaries as at December 31, 2008 and 2007 together with consolidated statements of income and cash flows for the years ended December 31, 2008 and 2007 and (b) the interim consolidated balance sheets of each of Heineken Holding and Heineken and Heineken's consolidated Subsidiaries as at June 30, 2009 and 2008 together with consolidated statements of income and cash flows for the period ended June 30, 2009 and 2008.

"Heineken Holding" shall have the meaning set forth in the Preamble to this Agreement.

"Heineken Holding Exchange Shares" shall have the meaning set forth in Section 2.1(b).

"Heineken Holding Ordinary Shares" shall mean the ordinary shares, par value of €1.60 of Heineken Holding.

"Heineken Indemnification Cap" shall have the meaning set forth in Section 9.1(b).

"Heineken Material Adverse Effect" shall mean any event, change, circumstance, occurrence, effect or state of facts that (i) is or would reasonably be expected to be materially adverse to the assets, liabilities, condition (financial or otherwise), business or results of operations of any Heineken Party and the Heineken Subsidiaries taken as a whole or (ii) materially impairs the ability of the Heineken Parties to consummate, or prevents or materially delays, any of the other transactions contemplated by this Agreement or the Transaction Documents; provided that none of the following, in and of itself or themselves, shall constitute (or be taken into account in determining the occurrence of) a Heineken Material Adverse Effect: (A) effects resulting from changes in the economy or financial, credit, banking, currency, commodities or capital markets generally in the countries in which the Heineken Parties and the Heineken Subsidiaries conduct material operations or any changes in currency exchange rates, interest rates, monetary policy or inflation; (B) effects resulting from changes that are the result of factors generally affecting the beer, packaging or soft drink industries; (C)(1) effects resulting from changes in Law or (C)(2) effects resulting from changes in Dutch or international financial reporting standards or rules (in each case, subsequent to the date hereof); (D) any act of God or other calamity, national or international, political or social conditions (including the engagement by any country in hostilities, whether commenced before or after the date hereof, and whether or not pursuant to the declaration of a national emergency or war), or the occurrence of any military or terrorist attack; (E) effects resulting from any failure by any Heineken Party to meet any estimates of revenues or earnings on or after the date of this Agreement, provided that the exception in this clause (E) shall not prevent or otherwise affect any change, effect, circumstance or development underlying such failure from being taken into account in determining whether a Heineken Material Adverse Effect has occurred; (F) (i) the announcement or the existence of the Agreement, the Corporate Governance Agreement and the transactions contemplated hereby or thereby (including any related or resulting loss of or change in relationship with any customer, supplier, distributor, wholesaler or other business partner, or departure of any employee or officer, or any litigation or other Proceeding), including by reason of the identity of FEMSA or (ii) compliance with the terms of, or any actions taken pursuant to, this Agreement (other than compliance with Section 6.2 hereof), the Corporate Governance Agreement, or any failures to take action which is prohibited by this Agreement, the Corporate Governance Agreement, or such other changes or events to which FEMSA has expressly consented in writing; or (G) any change in the trading price of Heineken Ordinary Shares or Heineken Holding Ordinary Shares; provided that with respect to clauses (A), (B), (C)(1) and (D) the impact of such event, change, circumstance, occurrence, effect or state of facts is not disproportionately adverse to the Heineken Parties and Heineken Subsidiaries taken as a whole relative to other industry participants.

"Heineken Ordinary Shares" shall mean the ordinary shares, €1.60 par value of Heineken.

"Heineken Products" shall have the meaning set forth in 6.18(a).

"Heineken Prospectuses" shall have the meaning set forth in Section 6.14(b).

"Heineken Securities Filings" shall have the meaning set forth in 5.7(b).

"Heineken Shareholder Approvals" shall have the meaning set forth in Section 5.2(b).

"Heineken Shareholder Meetings" shall mean the extraordinary general meetings of Heineken Holding's shareholders and of Heineken's shareholders at which resolutions will be proposed to obtain the Heineken Shareholder Approvals.

"Heineken Subsidiaries" shall mean each Subsidiary of Heineken.

"Heineken Territory" shall have the meaning set forth in 6.18(b).

"Heineken Voting Agreements" shall mean each of the Deeds of Undertaking attached hereto as Exhibits U and V.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"ICC" shall have the meaning set forth in Section 10.8(a).

"ICC Rules" shall have the meaning set forth in Section 10.8(a).

"IFRS" shall have the meaning set forth in Section 5.7(a).

"Indebtedness" shall mean, without duplication, with respect to any specified Person, any obligation of such Person:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances or analogous obligations;

(4) representing capital lease obligations;

(5) in respect of the balance deferred and unpaid of the purchase price of any property, to the extent required to be recorded as a liability (other than a current liability) in the balance sheet pursuant to Mexican FRS, and except any such balance that constitutes an accrued expense or trade payable not overdue by more than 90 days;

(6) representing the mark-to-market amount of any Hedging Obligations, which amount may be a positive or negative number;

(7) all Indebtedness of others secured by an Encumbrance on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person); or

(8) all guarantees by such Person in respect of Indebtedness of another Person of the type described in clauses (1) through (7).

The amount of any Indebtedness outstanding as of any date shall be:

(1) the accreted value thereof, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

provided that, with regard to the Company and Company Subsidiaries, in no event shall Indebtedness include (x) any indebtedness of the type referred to in clauses (1) through (7) between the Company and any Company Subsidiary or between any Company Subsidiaries or (y) the Closing Date Note; and provided further that, with regard to the Company and Company Subsidiaries, Indebtedness shall include (i) unfunded liabilities, whether recorded or unrecorded, in respect of all pension plans of the Company and Company Subsidiaries in the amount of $203,244,800, (ii) all Intercompany Accounts and (ii) the obligations under the Intercompany Loan Agreements.

"Indemnification Deductible" shall have the meaning set forth in Section 9.1(b).

"Indemnified Party" shall have the meaning set forth in Section 9.4(a).

"Indemnifying Party" shall have the meaning set forth in Section 9.4(a).

"Integrated Competitor" shall have the meaning set forth in Section 6.18(d).

"Integrated Competitor Territory" shall have the meaning set forth in Section 6.18(d).

"Intellectual Property" shall mean all of the following: Trademarks, Patents, Copyrights and Trade Secrets.

"Intercompany Accounts" shall mean all balances related to Indebtedness (other than Ordinary Course Intercompany Payables and Receivables) between the Company and the Company Subsidiaries on the one hand, and FEMSA and its Subsidiaries (other than the Company and the Company Subsidiaries) on the other hand.

"Intercompany Loan Agreements" shall mean the following loan agreements between FEMSA and the Company (1) the loan agreement executed by and between FEMSA, as lender, and FEMSA Cerveza, as borrower, dated as of December 7, 2007, for a principal amount of Ps. 1,000,000,000.00; (2) the loan agreement executed by and between FEMSA, as lender, and FEMSA Cerveza, as borrower, dated as of December 7, 2007, for a principal amount of Ps. 1,095,000,000.00; (3) the loan agreement executed by and between FEMSA, as lender, and FEMSA Cerveza, as borrower, dated as of December 7, 2007, for a principal amount of Ps. 1,405,000,000.00; (4) the loan agreement executed by and between FEMSA, as lender, and FEMSA Cerveza, as borrower, dated as of December 7, 2007, for a principal amount of Ps. 650,000,000.00; (5) the loan agreement executed by and between FEMSA, as lender, and FEMSA Cerveza, as borrower, dated as of December 7, 2007, for a principal amount of Ps. 60,000,000.00; (6) the loan agreement executed by and between FEMSA, as lender, and FEMSA

Cerveza, as borrower, dated as of December 7, 2007, for a principal amount of Ps. 1,425,000,000.00; (7) the loan agreement executed by and between FEMSA, as lender, and FEMSA Cerveza, as borrower, dated as of December 7, 2007, for a principal amount of Ps. 365,000,000.00; (8) the loan agreement executed by and between FEMSA, as lender, and FEMSA Cerveza, as borrower, dated as of July 3, 2008, for a principal amount of Ps. 1,500,000,000.00.

"Kaiser" shall mean Cervejarias Kaiser Brasil S.A.

"Knowledge of FEMSA" shall mean the knowledge, after due inquiry, of the persons listed on Section 1.1(b) of the FEMSA Disclosure Letter.

"Knowledge of Heineken" shall mean the knowledge, after due inquiry, of persons listed on Annex 1.

"KO's Bottlers" shall mean the members, from time to time, of the Brazilian Coke Producers Association (*Associação dos Fabricantes Brasileiros de Coca-Cola*).

"KOF" shall mean Coca-Cola FEMSA, S.A.B. de C.V. a legal entity incorporated under the laws of Mexico.

"Law" shall have the meaning set forth in Section 4.4.

"Losses" shall mean any damages or actual losses (including reasonable costs, expenses, other out-of-pocket expenses and attorneys' fees incurred in investigating, preparing or defending matters connected therewith).

"Mexican Antitrust Law" shall have the meaning set forth in Section 6.4(c)(i).

"Mexican FRS" shall have the meaning set forth in Section 4.8(a).

"Mexican Peso" or "Ps." shall mean the lawful currency of Mexico.

"Mexico" shall mean the United Mexican States (*Estados Unidos Mexicanos*).

"Net Debt" shall mean: (a) the aggregate Indebtedness of FEMSA Cerveza and its Subsidiaries on a consolidated basis (but excluding any item taken into account in the calculation of Working Capital) minus (b) Cash.

"Net Debt Adjustment" shall equal the Reference Date Net Debt minus the Target Net Debt, as finally determined pursuant to Section 2.2(b) and (c), which amount may be a positive or negative number.

"New Claims" shall have the meaning set forth in Section 10.8(c).

"Non-Compete Period" shall have the meaning set forth in Section 6.18(a).

"Ordinary Course Intercompany Payables and Receivables" shall mean trade receivables and trade payables incurred in the ordinary course of business consistent with past practice between the Company and the Company Subsidiaries, on the one hand, and the Selected FEMSA Affiliates, on the other hand.

"Original Acquisition Terms" shall have the meaning set forth in Section 6.18(f)(ii).

"Original Valuation Determination" shall have the meaning set forth in Section 6.18(h)(i)(A).

"Other Taxes" shall have the meaning set forth in Section 9.2(b).

"Party" and "Parties" shall have the meaning specified in the Preamble to this Agreement.

"Patents" shall mean issued patents, patent disclosures, and any and all divisions, continuations, continuations-in-part, reissues, reexaminations, and extensions thereof, any counterparts claiming priority therefrom, utility models, registered industrial designs, patents of importation/confirmation, certificates of invention and similar statutory rights, and all registrations and applications to register the same.

"Permitted Dividend" shall have the meaning set forth in Section 6.2(a)(ii).

"Permitted Dividend Amount" shall have the meaning set forth in Section 6.2(a)(ii).

"Permitted Encumbrances" shall mean (i) Encumbrances arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business (provided that such Encumbrances are limited to the assets so purchased or leased) and liens for Taxes that are not yet due and payable or which are being contested in good faith by appropriate Proceeding, (ii) Encumbrances that secure obligations that are reflected as liabilities on the Balance Sheet or Reference Date Balance Sheet or the existence of which obligations is referred to in the notes to the Balance Sheet or Reference Date Balance Sheet, (iii) bankers' liens, rights of setoff and similar Encumbrances existing solely with respect to cash, cash equivalents, securities entitlements and other financial assets on deposit, or credited to the Company, in one or more accounts maintained by the Company, in each case granted in the ordinary course of business in favor of the bank or banks with which such deposits or securities entitlements are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements; (iv) other imperfections of title or Encumbrances, if any, that, individually or in the aggregate do not materially impair, and could not reasonably be expected to materially impair, the continued use and operation of the assets, (v) leases, subleases and similar agreements set forth in Section 4.11 of the FEMSA Disclosure Letter, (vi) easements, covenants, rights-of-way (including utilities rights-of-way) and other similar restrictions of record or not required by law to be recorded, that, individually or in the aggregate do not materially impair, and could not reasonably be expected to materially impair, the continued use and operation of the assets subject to such easements, covenants, rights-of-way and other similar restrictions of record or not required by law to be recorded, (vii) zoning, building and other similar restrictions, (viii) Encumbrances that will be released on or prior to the Closing and (ix) as set forth in Section 4.11 of the FEMSA Disclosure Letter.

"Person" shall mean a natural person, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Entity or other entity or organization.

"*Precatórios*" shall mean bonds issued in a Proceeding by any Brazilian Governmental Entity, which bonds reflect Tax Credits or any other credits against a Governmental Entity as recognized under a judicial lawsuit.

"Proceeding" shall mean any action, suit, claim, or legal, administrative, proceeding or investigation conducted by or before any Governmental Entity.

"Reference Date" shall mean December 31, 2009.

"Reference Date Balance Sheet" shall have the meaning set forth in Section 2.2(a).

"Reference Date Certificate" shall have the meaning set forth in Section 2.2(a).

"Reference Date Net Debt" shall have the meaning set forth in Section 2.2(a).

"Reference Date Working Capital" shall have the meaning set forth in Section 2.2(a).

"Relevant Alcoholic Beverage Business Value" shall have the meaning set forth in Section 6.18(h)(i).

"Representatives" shall have the meaning set forth in Section 6.19(a).

"Required Permits" shall have the meaning set forth in Section 4.15.

"Required Transferor" shall have the meaning set forth in Section 6.18(e).

"Restructuring Taxes" shall have the meaning set forth in Section 9.2(b).

"Santander Intercompany Loan" shall mean the loan agreement executed by and between FEMSA, as lender, and FEMSA Cerveza, as borrower, dated as of April 6, 2009, for a principal amount of Ps. 2,800,000,000.00.

"Santander Loan" shall mean the loan agreement, dated as of April 6, 2009, between Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander, as lender, and FEMSA, as borrower, together with FEMSA Cerveza, as guarantor, dated April 6, 2009.

"Second Valuation" shall have the meaning set forth in Section 6.18(h)(i)(B).

"Securities Act" shall mean the Securities Act of 1933 and any rules or regulations promulgated thereunder, as amended.

"SEC" shall mean the United States Securities and Exchange Commission.

"Selected FEMSA Affiliates" shall mean IMBERA, S.A. DE C.V, QUIMIPRODUCTOS, S.A. DE C.V., GRAFO REGIA S.A. DE C.V., DESARROLLO LOGISTICO, S.A. DE C.V., CENTRO DE SERVICIOS COMPARTIDOS, S.A. DE C.V, KOF, CADENA COMMERCIAL OXXO, S.A. DE C.V. and OXXO EXPRESS, S.A. DE C.V.

"Share Taxes" shall have the meaning set forth in Section 9.2(b).

"Straddle Period" shall mean a taxable year or period beginning on or before, and ending after, the Reference Date.

"Subsidiary" shall mean, with respect to any Person, any corporation or other organization, whether incorporated or unincorporated, of which (a) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries or (b) such Person or any other Subsidiary of such Person is a general partner (excluding any such partnership where such Person or any Subsidiary of such Person does not have a majority of the voting interest in such partnership).

"Target Net Debt" shall mean $2,100,000,000.

"Target Working Capital" shall mean Mexican Pesos 2,020,000,000.

"Tax Claim" shall have the meaning set forth in Section 6.17(f).

"Tax Credit" shall mean any amounts that the Company or the Company Subsidiaries may be entitled to refund or to offset against other Taxes due, including but not limited to Coffee Credits and *Precatórios* and excluding tax losses and goodwill deduction.

"Tax Refund" shall mean any amounts of cash received with respect to Taxes (including any Tax Credits actually received in cash) by the Company or the Company Subsidiaries.

"Tax Return" shall mean a report, return or other information (including any amendments) required to be supplied to a Governmental Entity with respect to Taxes including, where permitted or required, (a) combined or consolidated returns for any group of entities that includes the Company or any of the Company Subsidiaries, and (b) any letter rulings or other agreements required to be entered into with a Governmental Entity in connection with any reorganization, restructuring or other similar transactions entered into by the Company or any of the Company Subsidiaries.

"Taxes" shall mean all taxes, however denominated, including any interest or penalties that may become payable in respect thereof, imposed by any government (including state and local) or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income taxes, payroll and employee withholding taxes, unemployment insurance, social security, value added sales and use taxes, excise taxes, environmental, franchise taxes, gross receipts taxes, occupation taxes, real and personal property taxes, stamp taxes, transfer taxes, withholding taxes, workers' compensation, social welfare contributions, and other obligations of the same or of a similar nature, whether arising before, on or after the Closing Date.

"Termination Date" shall have the meaning set forth in Section 8.1(c).

"Termination Fee" shall have the meaning set forth in Section 8.3.

"Third Party Claim" shall have the meaning set forth in Section 9.4(a).

"Third Valuation" shall have the meaning set forth in Section 6.18(h)(i)(C).

"Trademarks" shall mean registered and unregistered trademarks, trade dress, service marks, logos, trade names, corporate names, domain names and other Internet addresses or identifiers and all registrations and applications to register the same.

"Trade Secrets" shall mean trade secrets, methods, processes, confidential business information and all proprietary technical information and know-how.

"Transaction Documents" shall mean the Ancillary Agreements and the Allotted Share Delivery Instrument.

"Transfer Taxes" shall have the meaning set forth in Section 6.17(b).

"U.S." or "United States" shall mean the United States of America, its territories and possessions and places subject to its jurisdiction, including any State of the United States of America, the District of Columbia and the Commonwealth of Puerto Rico.

"U.S. Dollar" or "$" shall mean the lawful currency of the United States or the equivalent in any other currency.

"Valuation Information" shall have the meaning set forth in Section 6.18(g).

"Working Capital" shall mean (a) current assets of FEMSA Cerveza and its Subsidiaries, excluding (1) assets relating to Hedging Obligations, (2) recoverable income taxes, (3) loans and interest payable (excluding Ordinary Course Intercompany Receivables and Payables) granted by FEMSA Cerveza or any of its Subsidiaries to any of FEMSA or its Subsidiaries and (4) Cash, minus (b) current liabilities of FEMSA Cerveza and its Subsidiaries excluding (1) liabilities relating to Hedging Obligations, (2) income taxes payable, (3) loans and interest payable (excluding Ordinary Course Intercompany Receivables and Payables) granted by FEMSA or its Subsidiaries to any of FEMSA Cerveza or any of its Subsidiaries, (4) loans and interest payable relating to Indebtedness (excluding items accounted in (a)(1) and (b)(1) of this definition) and (5) provisions relating to vacations.

"Working Capital Adjustment" shall mean Reference Date Working Capital minus the Target Working Capital, as finally determined pursuant to Section 2.2(b) and (c), which amount may be a positive or negative number.

1.2 Interpretation. (a) The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any Party to this Agreement or any other agreement or document shall include such Party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) All payments and adjustments under this Agreement shall be made in U.S. Dollars. The Parties agree that, for purposes of determining the relevant value in United States dollars of (1) any amount denominated in Mexican Pesos that requires translation into U.S. dollars in connection with Section 2.2, they shall use an exchange rate equal to the FIX rate of exchange determined by the *Banco de México* for the Reference Date published in the Mexican Official Gazette (the "Banco de México Rate") and (2) for all other amounts, they shall use the Banco de México Rate for the Business Day immediately prior to the date on which the relevant payment or adjustment is required to be paid or calculated, as applicable.

(i) The consideration relating to the transactions contemplated herein shall be deemed to have been established as of the date hereof.

(j) If in this Agreement a Dutch term is placed *in italics* and in parentheses immediately following an English term, then the meaning of that Dutch term under the laws of The Netherlands, the articles of association of Heineken Holding or Heineken, or Dutch corporate governance practice, as the context requires, controls. If in this Agreement a Spanish term is placed *in italics* and in parentheses immediately following an English term, then the meaning of that Spanish term under the laws of the Mexico, the by-laws of FEMSA, or Mexican corporate governance practice, as the context requires, controls. If in this Agreement a Portuguese term is placed in *italics* and in parentheses immediately following an English term, then the meaning of that Portuguese term under the laws of Brazil or Brazilian corporate governance practice, as the context requires, controls.

ARTICLE II

SHARE EXCHANGE

2.1 Share Exchange. (a) At the Closing, upon the terms and subject to the conditions set forth in this Agreement: (i) each FEMSA Party shall transfer and deliver to Heineken, and Heineken shall accept and receive from such FEMSA Party, all of such FEMSA Party's right title and interest in and to 99,999 shares of the Company's issued Common Stock, fully paid up and free and clear of all Encumbrances directly representing 99.999% of the Company's issued share capital (the "FEMSA Exchange Shares"), in exchange for which (ii) Heineken shall issue and deliver to such FEMSA Party, and such FEMSA Party shall accept and receive from Heineken its pro rata share (as set forth in Exhibit W) of the 86,028,019 Heineken Ordinary Shares (the "Heineken Exchange Shares") and 29,172,504 Allotted Shares in accordance with the Allotted Share Delivery Instrument, free and clear of all Encumbrances and which shall rank *pari passu* in all respects (as a single class) with the existing issued Heineken Ordinary Shares as at Closing, including the right to participate in all dividends and other distributions declared, paid or made after the Closing on or in respect of such Heineken Ordinary Shares.

(b) Concurrently with the consummation of the transactions set forth in Section 2.1(a), at the Closing, upon the terms and subject to the conditions set forth in this Agreement: (i) each FEMSA Party shall transfer and deliver to Heineken Holding, and Heineken Holding shall accept and receive from such FEMSA Party its pro rata share (as set forth in Exhibit W) of the 43,018,320 Heineken Exchange Shares transferred and delivered to such FEMSA Party pursuant to Section 2.1(a), in exchange for which Heineken Holding shall issue and deliver to such FEMSA Party, and such FEMSA Party shall accept and receive from Heineken Holding, its pro rata share (as set forth in Exhibit W) of the 43,018,320 Heineken Holding Ordinary Shares (the "Heineken Holding Exchange Shares"), free and clear of all Encumbrances and which shall rank *pari passu* in all respects (as a single class) with the existing issued Heineken Holding Ordinary Shares as at Closing, including the right to participate in dividends and other distributions declared, paid or made after the Closing on or in respect of such Heineken Holding Ordinary Shares.

2.2 Reference Date Balance Sheet and Closing Payment.

(a) Closing Payment. Within five (5) days of receipt by FEMSA (but in no event later than February 28, 2010) of its auditor's opinion together with audited financial statements for the year ending December 31, 2009, FEMSA shall deliver to the Heineken Parties a consolidated audited balance sheet of FEMSA Cerveza and the Company Subsidiaries, including all notes thereto, dated as at the Reference Date (the "Reference Date Balance Sheet") accompanied by the opinion and report thereon of FEMSA's auditors with respect thereto, stating that the Reference Date Balance Sheet has been prepared in accordance with Mexican FRS applied on a basis consistent with past practice and with the preparation of the FEMSA Cerveza Financial Statements. The (i) Net Debt as of the Reference Date (the "Reference Date Net Debt") and (ii) Working Capital as of the Reference Date (the "Reference Date Working Capital") shall be determined from the Reference Date Balance Sheet, which amounts shall be set forth on a certificate to be delivered by FEMSA to Heineken (the "Reference Date Certificate") together with the Reference Date Balance Sheet.

(b) Disputes. If Heineken disagrees with the calculation of the Reference Date Balance Sheet or with the Reference Date Net Debt or Reference Date Working Capital shown on the Reference Date Certificate, Heineken shall notify FEMSA of such disagreement within twenty (20) Business Days after delivery of the Reference Date Certificate, which notice shall set forth any such disagreement in reasonable detail. If Heineken fails to deliver this notice by the end of such twenty (20) Business Days, Heineken shall be deemed to have accepted the Reference Date Balance Sheet and Reference Date Certificate delivered by FEMSA. Matters included in the calculations in the Reference Date Balance Sheet or Reference Date Certificate that are not objected to by Heineken in such notice shall be deemed accepted by Heineken and shall not be subject to further dispute or review. During the 20-Business Day period of its review, Heineken shall have reasonable access to all documents, schedules, employees and workpapers used by FEMSA and its legal counsel, accountants and financial advisors in the preparation of the Reference Date Balance Sheet, Reference Date Net Debt and Reference Date Working Capital. Heineken and FEMSA shall negotiate in good faith to resolve any such disagreement, and any resolution agreed to in writing by Heineken and FEMSA shall be final and binding upon the Parties.

(c) If Heineken and FEMSA are unable to resolve any disagreement as contemplated by Section 2.2(b) within fifteen (15) Business Days after delivery by Heineken of written notice of such disagreement, Heineken and FEMSA shall jointly select a partner at an accounting firm that does not perform work for Heineken Holding, Heineken or FEMSA to resolve such disagreement (the person so selected shall be referred to herein as the "Accounting Arbitrator") and FEMSA and Heineken shall submit, in writing, to the Accounting Arbitrator their briefs detailing their views as to the correct nature and amount of each item remaining in dispute and the amount of the Closing Payment. The Parties shall instruct the Accounting Arbitrator to consider only those items and amounts set forth in the Reference Date Certificate as to which Heineken and FEMSA have not resolved

their disagreement and the Accounting Arbitrator shall be authorized to resolve such items only within the range of the difference between FEMSA's position with respect thereto and Heineken's position with respect thereto. Heineken and FEMSA shall use reasonable best efforts to cause the Accounting Arbitrator to deliver to the Parties, within fifteen (15) Business Days, a written report setting forth the resolution of any such disagreement determined in accordance with the terms of this Agreement. Such report shall be final and binding upon the Parties. The fees, costs and expenses of the Accounting Arbitrator shall be allocated between Heineken and FEMSA so that Heineken's share of such fees, costs and expenses shall be in the same proportion that the aggregate amount of the disputed items submitted to the Accounting Arbitrator in Heineken's notice of disagreement that are unsuccessfully disputed by Heineken (as finally determined by the Accounting Arbitrator) bears to the total amount of all disputed items so submitted by Heineken to the Accounting Arbitrator, which proportionate allocation shall also be determined by the Accounting Arbitrator.

(d) Upon final resolution of the Net Debt Adjustment and Working Capital Adjustment, a positive or negative adjustment to the consideration received by FEMSA under this Agreement shall be made in the amount of a Closing Payment. The "Closing Payment" shall be equal to (i) the Net Debt Adjustment minus (ii) the Working Capital Adjustment.

(e) If the calculation of the Closing Payment results in a positive number, such amount (the "FEMSA Closing Payment") shall be payable by FEMSA, in cash, to Heineken at Closing by wire transfer of immediately available funds to an account designated in writing by Heineken at least two (2) Business Days prior to the date of payment.

(f) If the calculation of the Closing Payment results in a negative number, the absolute value of such amount (the "Heineken Closing Payment") shall be paid by Heineken to FEMSA at Closing by delivery of the Closing Date Note. The Heineken Closing Payment may be treated as a dividend of the Company to the FEMSA Parties.

(g) Any payments made (i) by FEMSA to Heineken or by Heineken to FEMSA (under the Closing Date Note) pursuant to any adjustment provided for in this Section 2.2 or (ii) under Article IX shall constitute an adjustment to the consideration received by FEMSA under this Agreement (including, for the avoidance of doubt, for the purposes of any Tax computation).

ARTICLE III

THE CLOSING

3.1 The Closing. (a) The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Cleary Gottlieb Steen & Hamilton LLP, One Liberty Plaza, New York, New York 10006 at 10:00 am (New York City time), not later than three (3) Business Days following the satisfaction and/or waiver of all conditions set forth in Article VII (other than those conditions that are to be satisfied at Closing, but subject to the waiver or fulfillment of those conditions), unless another date or place is agreed in writing by each of the Parties hereto. The date on which the Closing occurs is called the "Closing Date".

(b) At the Closing, FEMSA shall deliver to the Heineken Parties: (i) a copy of the minutes of the FEMSA Shareholder Meeting (including evidence of the necessary resolutions having been passed); (ii) a copy of an excerpt of the minutes of the board meeting of FEMSA at which the directors of FEMSA resolved to transfer the FEMSA Exchange Shares to Heineken; (iii) one or more certificates representing all the FEMSA Exchange Shares, each such certificate(s) to be duly and validly endorsed "*en propiedad*" in favor of Heineken; (iv) a copy of the Corporate Governance Agreement duly executed, or caused to be executed, by FEMSA; (v) the FEMSA Closing Payment, if any; (vi) the certificate described in Section 7.2(d); (vii) the Share Registry Book of the Company to register the transfer of the FEMSA Exchange Shares to Heineken; and (viii) a copy of each Transaction Document duly executed and delivered by the Company or appropriate Company Subsidiary and FEMSA or appropriate Subsidiary or Affiliate of FEMSA (other than the Company or any Company Subsidiary).

(c) At the Closing, the Heineken Parties shall deliver to FEMSA: (i) signed copies of the minutes of the Heineken Shareholder Meetings (including evidence of the necessary resolutions having been passed); (ii) signed copies of minutes of the meetings of the board of directors of Heineken Holding and of the board of directors and the supervisory board of Heineken at which the managing and supervisory directors of Heineken Holding and Heineken resolved, respectively, to issue the Heineken Exchange Shares and the Heineken Holding Exchange Shares to FEMSA; (iii) (A) copies of the duly signed descriptions (*beschriivingen*) and copies of the accountant declarations (*accountantsverklaringen*) in connection with the issuance of the Heineken Exchange Shares and the Heineken Holding Exchange Shares, as required pursuant to Article 2:94b of the Dutch Civil Code (*Burgerlijk Wetboek*) or, in the event that the board of directors of Heineken Holding and the board of directors of Heineken resolve otherwise pursuant to Article 2:94b(3) of the Dutch Civil Code, (B) copies of the expert valuations (*deskundigenwaarderingen*) within the meaning of Article 2:94a(3) of the Dutch Civil Code; (iv) written evidence that such Heineken Exchange Shares and Heineken Holding Exchange Shares have been deposited with Euroclear Nederland and credited to a securities account in the name of the applicable FEMSA Party; (v) the Allotted Share Delivery Instrument duly executed by Heineken; (vi) a copy of the Corporate Governance Agreement duly executed by the Heineken Parties; (vii) the Heineken Closing Payment, if any; and (viii) the certificate described in Section 7.3(d).

(d) All actions and proceedings to be taken (or caused to be taken) and all documents to be executed and delivered (or caused to be executed and delivered) by the Parties at the Closing shall be deemed to have been taken, executed and delivered simultaneously and no actions or proceedings shall be deemed taken nor any documents deemed executed or delivered until all have been taken, executed and delivered.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE FEMSA PARTIES

Except (i) as set forth in the FEMSA Disclosure Letter delivered by FEMSA to the Heineken Parties simultaneously with the execution hereof, (ii) as disclosed in the FEMSA Cerveza Financial Statements, (iii) to the extent disclosed in the FEMSA SEC Filings (other than any disclosures set forth in any risk factor section, in any section relating to forward looking statements and any other disclosures included therein to the extent they are predictive, cautionary or forward-looking in nature) and, for the avoidance of doubt, without giving effect to any change or circumstance subsequent to the date any such FEMSA SEC filing was filed or (iv) with respect only to the representations and warranties in Sections 4.11 (Property and Assets; Sufficiency of Assets), 4.12 (Material Contracts), 4.13 (Insurance), 4.14 (Litigation), 4.16 (Employee Benefits and Labor Matters), 4.18 (Intellectual Property) and 4.19 (Environmental Matters), as disclosed not later than January 8, 2010 in the FEMSA Data Room (items (i) through (iv), the "FEMSA Disclosure Materials"), the FEMSA Parties jointly and severally represent and warrant to the Heineken Parties that all of the statements contained in this Article IV are true as of the date of this Agreement and shall be true as of the Closing Date (or, if made as of a specified date, as of such date). For purposes of the representations and warranties of the FEMSA Parties contained herein, disclosure in the FEMSA Disclosure Materials, save as qualified herein, of any facts or circumstances shall be deemed to be adequate response and disclosure of such facts or circumstances with respect to all representations or warranties (except (iv), above, which is limited to those specifically enumerated representations and warranties only) by the FEMSA Parties calling for disclosure of such information, whether or not such disclosure is specifically associated with or purports to respond to one or more of such representations or warranties, if it is apparent on the face of the FEMSA Disclosure Materials (including any materials in the FEMSA Data Room) that such disclosure is applicable. The inclusion of any information in the FEMSA Disclosure Materials or other document delivered by FEMSA pursuant to this Agreement shall not be deemed to be an admission or evidence of the materiality of such item, nor shall it establish a standard of materiality for any purpose whatsoever.

4.1 Organization. Each FEMSA Party, the Company and the Company Subsidiaries (a) is a corporation or other legal entity duly organized and validly existing under the laws of its jurisdiction of organization; (b) has all requisite corporate or other legal entity power and authority to carry on its business as it is now being conducted and to own the properties and assets it now owns; and (c) is duly qualified or licensed in all material respects to do business in every jurisdiction in which such qualification is required.

4.2 Authorization; Shareholder Approval. (a) Each FEMSA Party has the requisite corporate power and authority to execute, deliver and perform this Agreement (other than consummating the Closing, which is subject to obtaining the FEMSA Shareholder Approval). The execution, delivery and performance by FEMSA of this Agreement has been duly authorized by the board of directors of FEMSA, and no other corporate or similar action on the part of the FEMSA Parties is necessary to authorize the execution, delivery and performance by the FEMSA Parties of this Agreement or the consummation by the FEMSA Parties of the Closing and the transactions contemplated thereby (other than consummating the Closing, which is subject to obtaining the FEMSA Shareholder Approval).

(b) The affirmative vote of holders of a majority of the shares of FEMSA present at a meeting with a quorum of the majority of the issued and outstanding shares of FEMSA present is required to approve the transactions contemplated hereby and the Closing (such approval, the "FEMSA Shareholder Approval"). Other than the FEMSA Shareholder Approval, no other vote of the shareholders of FEMSA is required, including under Mexican Law or FEMSA's by-laws (*estatutos sociales*), for FEMSA to consummate the Closing.

4.3 Execution; Validity of Agreement. This Agreement has been duly executed and delivered by each FEMSA Party, and, assuming due and valid authorization, execution and delivery hereof by the Heineken Parties, is a valid and binding obligation of each FEMSA Party, enforceable against each FEMSA Party in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and general principles of equity (whether considered in a Proceeding at law or in equity). The Corporate Governance Agreement, when duly executed and delivered by FEMSA, and, assuming due and valid authorization, execution and delivery thereof by the Heineken Parties, will be a valid and binding obligation of FEMSA, enforceable against FEMSA in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and general principles of equity (whether considered in a Proceeding at law or in equity).

4.4 Filings, Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the CNBV, the Bolsa, the New York Stock Exchange, the HSR Act and applicable Mexican, Brazilian and other applicable Laws with respect to foreign investment and competition, none of the execution, delivery or performance of this Agreement or the Corporate Governance Agreement by FEMSA or the consummation by the FEMSA Parties of the Closing will (a) conflict with or result in any breach of any provision of the by-laws (*estatutos sociales*) of the applicable FEMSA Party, or the Company or of any organizational document of any Company Subsidiary, (b) require, in each case to the extent material to the business of the Company and the Company Subsidiaries, taken as a whole, any filing with, or permit, authorization, consent or approval of, any Governmental Entity, (c) result in a material violation or breach of, or constitute (with or without notice or lapse of time or both) a material default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any Company Material Contract, (d) violate in any material respect any statute, law, constitutional provision, code, regulation, ordinance, rule, ruling, judgment, decision, order, writ, injunction, decree, permit, concession, grant, franchise, license, agreement, directive, binding guideline or policy, or rule of common law, requirement of or other governmental restriction of or determination by any Government Entity or any interpretation of any of the foregoing by any Governmental Entity ("Law") applicable to any FEMSA Party, the Company or any of the Company Subsidiaries or any of their respective properties or assets.

4.5 Ownership and Possession of Shares. (a) Notwithstanding anything to the contrary in the FEMSA Disclosure Materials, the FEMSA Parties are collectively the record and beneficial owners of all the FEMSA Exchange Shares, free and clear of all Encumbrances whatsoever. Desarrollo Comercial FEMSA, S.A. de C.V. ("Desarrollo"), a wholly owned Subsidiary of the Company, is the record and beneficial owner of one (1) share of Common Stock (the "Desarrollo Company Share"), free and clear of all Encumbrances whatsoever.

(b) The sole assets of the Company are shares of Common Stock of FEMSA Cerveza and Desarrollo. The sole assets of Desarrollo are shares of Common Stock of FEMSA Cerveza and the Desarrollo Company Share. None of the Company and Desarrollo have any outstanding liability of any kind.

4.6 Capitalization. Notwithstanding anything to the contrary in the FEMSA Disclosure Materials, the issued and outstanding capital stock of the Company consists exclusively of the FEMSA Exchange Shares and the Desarrollo Company Share. All the FEMSA Exchange Shares are duly authorized, validly issued, fully paid and non-assessable. There are no options, rights or agreements to which any of the FEMSA Parties, the Company or any of their respective Subsidiaries is a party or by which any of them is bound obligating any of them (a) to issue, deliver or sell, or refrain from issuing, delivering or selling, any equity capital of the Company or any Company Subsidiary, or to grant, extend or enter into any such option, right or agreement, (b) to repurchase, redeem or otherwise acquire, or to refrain from repurchasing, redeeming or otherwise acquiring, any shares of capital stock of the Company or any Company Subsidiary, or to grant, extend or enter into any such option, right or agreement or (c) to vote, or to refrain from voting, any shares of capital stock of the Company or any Company Subsidiary.

4.7 Company Subsidiaries. All the outstanding capital stock of each Company Subsidiary is owned directly or indirectly by the Company, free and clear of all Encumbrances and is duly authorized, validly issued, fully paid and nonassessable. Except for shares or other equity interests in the Company Subsidiaries or investments or commitments made in the ordinary course of business (including any employee benefit plan), neither the Company nor any Company Subsidiary directly or indirectly owns any equity, partnership or similar interest in, any equity interest convertible into, exercisable for the purchase of or exchangeable for any such equity, partnership or similar interest, or is under any current or prospective obligation to form or participate in or make any capital contribution to any Person.

4.8 Financial Statements; SEC Filings. (a) True and complete copies of the FEMSA Cerveza Financial Statements are included in the FEMSA Disclosure Letter (other than the FEMSA Cerveza Financial Statements and its Subsidiaries as at December 31, 2009, which shall be provided to the Heineken Parties as required by Section 2.2(a) hereof). The FEMSA Cerveza Financial Statements have been or, for 2009, will be, prepared in accordance with Mexican Financial Reporting Standards ("Mexican FRS") applied on a consistent basis (except as stated in the notes thereto) and have been, or will be, as applicable, prepared based on the books and records of FEMSA Cerveza and its Subsidiaries regularly maintained by FEMSA's management to prepare the audited financial statements of FEMSA in accordance with Mexican FRS standards, principles and practices and in accordance with the policies and principles stated in FEMSA's financial statements, in each case applied on a consistent basis throughout the

periods indicated and on that basis fairly present, in all material respects, the consolidated financial position, results of operations and cash flows, the consolidated balance sheets and the consolidated statements of income and of changes in financial position and stockholders' equity of FEMSA Cerveza and its consolidated Subsidiaries as of the dates and for the periods referred to therein.

(b) The amounts of consolidated Working Capital of FEMSA Cerveza and its Subsidiaries as of the date hereof are consistent with the historical practice of Working Capital of FEMSA Cerveza and its Subsidiaries and, as of the date hereof, are sufficient for the maintenance of operations of the Company and the Company Subsidiaries in the ordinary course and the consolidated Working Capital, Cash and Net Debt of FEMSA Cerveza and its Subsidiaries have been managed only in the ordinary course since the Balance Sheet Date.

(c) FEMSA has heretofore made available to Heineken, true and complete copies of all forms, reports, schedules, statements and other documents filed by FEMSA with the SEC since January 1, 2007 (all such filed documents, together with all exhibits and schedules thereto and all information incorporated therein by reference, the "FEMSA SEC Filings").

(d) Neither the Company nor any Company Subsidiary is required to file any form, report, schedule, statement or other document with the SEC.

4.9 No Undisclosed Liabilities. As at the Balance Sheet Date, any material liability or obligation of any kind of the Company or any Company Subsidiary, whether accrued, contingent, absolute, determinable or otherwise required by Mexican FRS to be reflected or reserved against, in the FEMSA Cerveza Financial Statements (or the notes thereto) or in FEMSA Cerveza's most recent balance sheet set out in the FEMSA Cerveza Financial Statements (or the notes thereto) were so reflected or reserved against.

4.10 Absence of Certain Changes. Since the Balance Sheet Date, the business of the Company and the Company Subsidiaries has been conducted in the ordinary course consistent with past practices and there has not been (a) any event, occurrence or development of a state of circumstances or facts that has had or would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect and (b) any action taken by the Company or a Company Subsidiary that, if it had been taken after the date hereof, would have constituted a violation of Section 6.1.

4.11 Property and Assets; Sufficiency of Assets. (a) The Company and each Company Subsidiary has good title to, or a valid leasehold interest in (with respect to leased or licensed assets and properties), all of its property and assets, tangible or intangible, with a value in excess of $5,000,000 (the "Company Property"), in each case free and clear of all Encumbrances other than Permitted Encumbrances or Encumbrances for Taxes with respect to Kaiser or any of its Subsidiaries.

(b) The assets, properties and rights the benefit of which will be provided to Heineken or any of its Affiliates through its acquisition of the Company and the Company Subsidiaries, together with any rights provided to Heineken or any of its Affiliates pursuant to the Transaction Documents and the transactions contemplated thereby, constitute all of the assets, properties and rights necessary and sufficient for the conduct and operation of the business of the Company and the Company Subsidiaries, taken as a whole, as currently conducted or proposed to be conducted.

4.12 Material Contracts. (a) Section 4.12 of the FEMSA Disclosure Letter sets forth a list, as of the date hereof, of each Company Material Contract (or group of related Contracts) to which the Company or any of the Company Subsidiaries is a party or by which any of them or any of their respective properties is bound (accurate and complete copies of which have been made available to the Heineken Parties).

(b) Each of the Company Material Contracts is valid and binding on the Company or any of the Company Subsidiaries, as applicable, and, to the Knowledge of FEMSA, each other party thereto, and is in full force and effect. None of the Company or any of the Company Subsidiaries and, to the Knowledge of FEMSA as of the date hereof, none of the other parties to any Company Material Contract, is in material default under any Company Material Contract, and no event has occurred that, with the lapse of time or the giving of notice or both, would constitute a material default under any Company Material Contract by the Company or any of the Company Subsidiaries or, to the Knowledge of FEMSA, any other such Person.

(c) The Distribution Agreements remain in full force and effect and shall continue to be legal, valid, binding and enforceable and shall not be affected by the execution, delivery and performance of this Agreement and the consummation of the Closing. None of the transactions set forth herein shall give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any Distribution Agreements.

(d) Neither FEMSA nor any Subsidiary of FEMSA has released any other party from the terms of the individual confidentiality agreements which FEMSA or such Subsidiary has signed in connection with the sale of FEMSA Empire or any similar transaction involving the FEMSA Cerveza business, including any transaction that would be an Alternative Acquisition Proposal or otherwise.

4.13 Insurance. The operations and assets of the Company and the Company Subsidiaries that are capable of being insured are, in all material respects, in the aggregate, reasonably covered by valid and currently effective insurance policies in such types and amounts as are consistent with customary practices and standards of companies engaged in business and operations similar to those of the Company and the Company Subsidiaries.

4.14 Litigation. As of the date hereof, neither the Company nor the Company Subsidiaries is a party to or, to the Knowledge of FEMSA, threatened to be made a party to any Proceeding, where the aggregate potential liability exceeds $5,000,000, provided that with regards to Kaiser and its Subsidiaries, this representation, insofar as it relates to the period prior to January 13, 2006, is to the Knowledge of FEMSA. None of the FEMSA Parties, the Company nor any Company Subsidiary is a party to or, to the Knowledge of FEMSA, threatened to be

made a party to any Proceeding that questions or challenges the validity of this Agreement or any action taken or to be taken by any FEMSA Party, the Company or any Company Subsidiary pursuant to this Agreement.

4.15 Required Permits; Compliance with Laws.

(a) The Company and each Company Subsidiary is in possession of all material franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals, registrations and orders of any Governmental Entity (the "Required Permits") that are necessary to own, lease and operate properties and for it to carry on its business as it is now being conducted and no suspension or cancellation of any such Required Permit is pending or threatened. This Section 4.15(a) does not apply to Employee Benefits and Labor Matters, which are the subject of Section 4.16, Tax Matters, which are the subject of Section 4.17 and Environmental Matters, which are the subject of Section 4.19.

(b) Neither the Company nor any of the Company Subsidiaries is or has been in material violation of any applicable Law, except for such violations that would not have, individually or in the aggregate, a Company Material Adverse Effect, provided that with regards to Kaiser and its Subsidiaries, this representation, insofar as it relates to the period prior to January 13, 2006, is to the Knowledge of FEMSA. This Section 4.15(b) does not apply to Employee Benefits and Labor Matters, which are the subject of Section 4.16, Tax Matters, which are the subject of Section 4.17 and Environmental Matters, which are the subject of Section 4.19.

(c) As of the Closing Date the foreign investment in the capital stock of Kaiser evidenced by the shares owned by FEMSA Cerveza will have been duly registered with the Central Bank of Brazil as foreign direct investments (*investimento externo direto*). The Brazilian Intercompany Loan has been duly registered with the Central Bank of Brazil through a financial transaction registration (*registro de operação financeira – ROF*). The aggregate amount of FEMSA Cerveza's foreign direct investment in Kaiser registered with the Central Bank of Brazil is at least equal to $649,969,634.32 plus CAD 92,088,409.69. The aggregate amount of the Brazilian Intercompany Loan subject to a financial transaction registration with the Central Bank of Brazil is at least equal to $424,000,000.

4.16 Employee Benefits and Labor Matters.

(a) The Company and the Company Subsidiaries are and in the last three (3) years have been in compliance in all material respects with all applicable labor and social security Laws (including, as applicable, any requirements of the *Instituto Mexicano del Seguro Social*, *Instituto del Fondo Nacional de la Vivienda para los Trabajadores, Sistema de Ahorro para el Retiro, the Instituto Nacional do Seguro Social – INSS, the Fundo de Garantia do Tempo de Serviço – FGTS* and the rules and regulations thereunder).

(b) There are no severance, change-in-control, stay-pay, bonus or other similar payments payable by the Company or any Company Subsidiary to any current or former employees, officers, directors or managers of the Company or any of its Affiliates arising as a result of the transactions contemplated by this Agreement, together, without duplication, with any Taxes payable by the Company or Company Subsidiaries as a result of such payments.

(c) As of the Reference Date, the amount of unfunded liabilities, whether record or unrecorded, in respect of all pension plans of the Company and the Company Subsidiaries is equal to $203,244,800.

4.17 Tax Matters.

(a) The Company and each Company Subsidiary has timely filed (or there have been filed on their behalf) with appropriate taxing authorities all material Tax Returns required to be filed by them, and such Tax Returns are correct in all material respects, and all material Taxes shown thereon to be due and payable have been timely paid, provided that with regards to Kaiser and its Subsidiaries, this representation, insofar as it relates to the period prior to January 13, 2006, is to the Knowledge of FEMSA. Each of the Company and the Company Subsidiaries has withheld from any amount paid or credited by it to or for the account or benefit of any Person, including any employees, directors and non-resident Persons, the amount of all material Taxes and other deductions required by any applicable Law to be withheld from any such amount and has remitted all such withheld amounts that are due and payable to the appropriate tax authority.

(b) There are no Encumbrances for Taxes upon any property or assets of the Company or any Company Subsidiary, except for Encumbrances for Taxes not yet due and provided that with regards to Kaiser and its Subsidiaries, this representation, insofar as it relates to the period prior to January 13, 2006, is to the Knowledge of FEMSA.

(c) As of the date hereof, no material audits, examinations, investigations or other administrative Proceedings (such audits, examinations, investigations and other administrative Proceedings, including any state or local Proceedings, referred to collectively as "Audits") or court Proceedings are presently pending with regard to any Taxes or Tax Returns filed by or on behalf of the Company or any Company Subsidiary; provided that with regards to Kaiser and its Subsidiaries, this representation, insofar as it relates to the period prior to January 13, 2006, is to the Knowledge of FEMSA. All agreed material deficiencies as a result of Audits concluded during the preceding six (6) years have been paid or finally settled.

(d) There are no outstanding requests, agreements, consents or waivers to extend the statutory period of limitations applicable to the assessment of any material Taxes or deficiencies against the Company or any Company Subsidiary; provided that with regards to Kaiser and its Subsidiaries, this representation, insofar as it relates to the period prior to January 13, 2006, is to the Knowledge of FEMSA.

(e) Neither the Company nor any of the Company Subsidiaries is a party to any material tax sharing, tax indemnity or other agreement or arrangement with any Person.

(f) Each of the Company and the Company Subsidiaries maintains all documentation required under applicable law to support the arm's-length nature of the terms of any transactions between the Company or any Company Subsidiary and any related party. None of the Company or any Company Subsidiary is a party to or bound by any material advance pricing agreement, closing agreement or other material agreement or ruling relating to Taxes with any Governmental Authority that will remain in effect with respect to the Company or such Company Subsidiary after the Reference Date, and none of the Company or any Company Subsidiary will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any Tax period that includes any date after the Reference Date as a result of any (i) change in method of accounting after the date of this Agreement for a Tax Period that includes any day on or prior to the Reference Date, or (ii) installment sale or open transaction occurring on or prior to the Reference Date.

(g) No claim has been made in the last three years by any authority in a jurisdiction where the Company or any of the Company Subsidiaries does not file Tax Returns that the Company or any of the Company Subsidiaries is or may be subject to taxation by that jurisdiction.

(h) Each FEMSA Party is treated as a resident of Mexico for all purposes of applicable Mexican Tax law.

4.18 Intellectual Property. The Company or a Company Subsidiary owns, or is licensed to use or otherwise possesses legally enforceable rights to use, all material Company Intellectual Property free and clear of all Encumbrances other than Permitted Encumbrances. There are no oppositions, cancellations, invalidity Proceedings, interferences or re-examination Proceedings pending with respect to any Company Intellectual Property that would have, individually or in the aggregate, a Company Material Adverse Effect and to the Knowledge of FEMSA, no facts or circumstances exist as a basis for the same. No material Company Intellectual Property owned by the Company or a Company Subsidiary has been, and the FEMSA Parties and the Company have no reason to expect it to become, abandoned, cancelled or invalidated. The FEMSA Parties, the Company and the Company Subsidiaries have taken all commercially reasonable actions to preserve the confidentiality of the Company Intellectual Property owned by the Company or a Company Subsidiary that is confidential in nature. The use by the Company and the Company Subsidiaries of the Company Intellectual Property does not infringe, misappropriate, dilute or otherwise violate or make unauthorized use of any Intellectual Property rights of any third party where such infringement would have, individually or in the aggregate, a Company Material Adverse Effect and to the Knowledge of FEMSA no Person is currently infringing, misappropriating, diluting or otherwise violating or making unauthorized use of any material Company Intellectual Property owned by the Company or any Company Subsidiary. Neither the Company nor any Company Subsidiary has received any written notice from any third party challenging the right of the Company or any Company Subsidiary to use any of the Company Intellectual Property as currently used by them, where such third party challenges, if successful, would result, individually or in the aggregate, in a potential liability in excess of $5,000,000.

4.19 Environmental Matters.

(a) The Company and the Company Subsidiaries and, to the Knowledge of FEMSA, their respective predecessors in interest are and have been in material compliance with all applicable Environmental Laws and with the terms and conditions of all applicable Required Permits required under Environmental Laws and such Required Permits are held in the name of the Company or the relevant Company Subsidiary and are in full force and effect.

(b) As of the date hereof, there are no pending or, to the Knowledge of FEMSA, threatened material Proceedings under or pursuant to Environmental Laws against the Company or any Company Subsidiaries.

(c) Except as would not have, individually or in the aggregate a Company Material Adverse Effect, the Company and the Company Subsidiaries are not subject to any Environmental Liabilities and, to the Knowledge of FEMSA, no facts, circumstances or conditions relating to, arising from, associated with or attributable to any real property owned by the Company or any Company Subsidiaries or operations thereon could reasonably be expected to result in any Environmental Liabilities.

(d) Neither the Company nor the Company Subsidiaries nor their respective predecessors in interest have released or permitted to be released in material violation of Environmental Laws any Hazardous Materials in the soil, subsurface, surface water or groundwater at, on, about or under any Company Property.

4.20 Brokers or Finders. No agent, broker, investment banker, financial advisor or other firm or Person is or will be entitled to any brokers' or finder's fee or other commission or similar fee in connection with the transactions contemplated by this Agreement except for N M Rothschild & Sons Ltd., Allen & Co. and Rebecca Miller, whose fees and expenses will be paid by FEMSA in accordance with FEMSA's agreement with such advisors.

4.21 Investment Intent.

(a) The FEMSA Parties acknowledge that none of the Heineken Exchange Shares, the Heineken Holding Exchange Shares or the Allotted Shares have been registered under the Securities Act, and as such, the Heineken Exchange Shares, Heineken Holding Exchange Shares and Allotted Shares may not be sold, distributed or otherwise disposed of inside the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act, or pursuant to registration under the Securities Act or an exemption therefrom;

(b) Each FEMSA Party is acquiring the Heineken Exchange Shares, Heineken Holding Exchange Shares and the Allotted Shares for its own account for investment purposes only and not with a view to any public distribution thereof or with any intention of selling, distributing or otherwise disposing of the Heineken Exchange Shares, Heineken Holding Exchange Shares and Allotted Shares in a manner that would violate the registration requirements of the Securities Act;

(c) The FEMSA Parties understand that the availability of Rule 144 under the Securities Act ("Rule 144"), for the sale and transfer of the Heineken Exchange Shares, Heineken Holding Exchange Shares and Allotted Shares is limited, and that certain conditions and events must exist and occur before the FEMSA Parties would be able to utilize Rule 144 in connection with the sale or other disposition of the Heineken Exchange Shares, Heineken Holding Exchange Shares and the Allotted Shares; and

(d) The FEMSA Parties understand that the Heineken Exchange Shares, Heineken Holding Exchange Shares and the Allotted Shares are being offered and sold to them in reliance on specific exemptions from the registration requirements of the U.S. securities laws and that the Heineken Parties are relying on the truth and accuracy of, and each FEMSA Party's compliance with, the representations, warranties, agreements, acknowledgments and understandings set forth herein in order to determine the availability of such exemptions and the eligibility of the FEMSA Parties to acquire the Heineken Exchange Shares, Heineken Holding Exchange Shares and the Allotted Shares.

4.22 No Other Representations and Warranties. The FEMSA Parties acknowledge that, except for the representations and warranties contained in this Agreement, none of the Heineken Parties nor any other Person acting on their behalf, makes any representation or warranty, express or implied with respect to the transactions contemplated by this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE HEINEKEN PARTIES

Except (i) as disclosed in, or as readily inferable from, the Heineken Financial Statements or (ii) for any information contained, or incorporated by reference, in any written press release or circular to shareholders in each case filed with the AFM in the three years prior to the date hereof (items (i) and (ii), the "Heineken Disclosure Materials"), each Heineken Party, represents and warrants, as to itself severally and not jointly, to the FEMSA Parties that all of the statements contained in this Article V are true as of the date of this Agreement and shall be true as of the Closing Date (or, if made as of a specified date, as of such date). For purposes of the representations and warranties of the Heineken Parties contained herein, disclosure in any section of the Heineken Disclosure Materials, save as qualified herein, of any facts or circumstances shall be deemed to be adequate response and disclosure of such facts or circumstances with respect to all representations or warranties by the Heineken Parties calling for disclosure of such information, whether or not such disclosure is specifically associated with or purports to respond to one or more of such representations or warranties, if it is readily apparent on the face of the Heineken Disclosure Materials that such disclosure is applicable. The inclusion of any information in any of the Heineken Disclosure Materials or other document delivered by the Heineken Parties pursuant to this Agreement shall not be deemed to be an admission or evidence of the materiality of such item, nor shall it establish a standard of materiality for any purpose whatsoever.

5.1 Organization. Heineken Holding, Heineken and each Heineken Subsidiary (a) is a corporation or other legal entity duly organized, validly existing and, if applicable, in good standing under the laws of its jurisdiction of organization; (b) has all requisite corporate or other legal entity power and authority to carry on its business as it is now being conducted and to own the properties and assets it now owns; and (c) is duly qualified or licensed in all material respects to do business in every jurisdiction in which such qualification is required.

5.2 Authorization; Shareholder Approvals.

(a) Each Heineken Party has the requisite corporate power and authority to execute, deliver and perform this Agreement and to consummate the Closing in accordance with the terms hereof. The execution, delivery and performance by each Heineken Party of this Agreement and the consummation by such Heineken Party of the Closing have been duly authorized by unanimous vote of the board of directors of Heineken Holding and of the board of directors and the supervisory board of Heineken, and no other corporate action on the part of such Heineken Party is necessary to authorize the execution, delivery and performance by such Heineken Party of this Agreement or the consummation by such Heineken Party of the Closing, except for the Heineken Shareholder Approvals.

(b) The approvals by (x) the holders of a simple majority of the Heineken Ordinary Shares that are voted (in person or by proxy) at the Heineken Shareholder Meeting, (y) the holders of a simple majority of the Heineken Holding Ordinary Shares that are voted (in person or by proxy) at the Heineken Holding Shareholder Meeting and (z) the holders of the Heineken Holding priority shares (*prioriteitsaandelen*) of resolutions authorizing (i) the board of directors of Heineken Holding and Heineken to issue the Heineken Exchange Shares and the Heineken Holding Exchange Shares to FEMSA and (ii) the board nomination and other rights of FEMSA under the Corporate Governance Agreement (such approvals the "Heineken Shareholder Approvals") are the only votes or approvals of the holders of any class of securities of Heineken Holding or Heineken (as applicable) that shall be necessary for the approval and adoption by the Heineken Parties of this Agreement and the transactions contemplated hereby.

5.3 Execution; Validity of Agreement. This Agreement has been duly executed and delivered by each Heineken Party, and, assuming due and valid authorization, execution and delivery hereof by the FEMSA Parties, is a valid and binding obligation of such Heineken Party, enforceable against such Heineken Party in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and general principles of equity (whether considered in a Proceeding at law or in equity).

5.4 Filings, Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the AFM, the HSR Act and other applicable Laws with respect to foreign investment and competition, none of the execution, delivery or performance of this Agreement by each Heineken Party or the consummation by such Heineken Party of the Closing will (a) conflict with or result in any breach of any provision of the articles of association (*statuten*) or board of directors and supervisory board regulations (*reglementen*) of such Heineken Party or of any organizational document of any Heineken Subsidiary, (b) require in each case, to the

extent material to the business of such Heineken Party, any filing with, or permit, authorization, consent or approval of, any Governmental Entity, (c) result in a material violation or breach of, or constitute (with or without notice or lapse of time or both) a material default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any material Contract to which such Heineken Party or any of the Heineken Subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or (d) violate in any material respect any Law applicable to such Heineken Party or any of the Heineken Subsidiaries or any of their respective properties or assets.

5.5 Issuance and Listing of Heineken Exchange Shares and Heineken Holding Exchange Shares. Notwithstanding anything to the contrary in the Heineken Disclosure Materials, the Heineken Exchange Shares and Heineken Holding Exchange Shares have been duly authorized and, when issued, exchanged for and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid, non-assessable, and free and clear of all Encumbrances whatsoever, and the issuance of such shares will not be subject to any preemptive or similar rights.

5.6 Capitalization. Notwithstanding anything to the contrary in the Heineken Disclosure Materials, as of the date hereof, the issued share capital (*geplaatst kapitaal*) of (i) Heineken Holding consists of 245,011,848 ordinary shares (*gewone aandelen*) and 250 priority shares (*prioriteitsaandelen*), and (ii) Heineken consists of 489,974,594 ordinary shares. Except as contemplated in the Allotted Share Delivery Instrument, there are no options, rights or agreements to which any Heineken Party or any of the Heineken Subsidiaries is a party or by which any of them is bound obligating any of them (a) to issue, deliver or sell, or refrain from issuing, delivering or selling, any equity capital of Heineken Holding or Heineken or any of the Heineken Subsidiaries, or to grant, extend or enter into any such option, right or agreement, (b) to repurchase, redeem or otherwise acquire, or to refrain from repurchasing, redeeming or otherwise acquiring, any shares of capital stock of Heineken Holding or Heineken or any of the Heineken Subsidiary, or to grant, extend or enter into any such option, right or agreement or (c) to vote, or to refrain from voting, any shares of capital stock of Heineken Holding or Heineken or any of the Heineken Subsidiaries.

5.7 Financial Statements; Heineken AFM Filings. (a) True and complete copies of the Heineken Financial Statements have been delivered to the FEMSA Parties. The Heineken Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") applied on a consistent basis (except as stated in the notes thereto) and have been prepared based on the books and records of Heineken and the Heineken Subsidiaries regularly maintained by Heineken's management to prepare the audited financial statements of Heineken in accordance with IFRS standards, principles and practices and in accordance with the policies and principles stated in Heineken's financial statements, in each case applied on a consistent basis throughout the periods indicated and on that basis fairly present, in all material respects, the consolidated financial position, results of operations and cash flows, the balance sheets and the consolidated statements of income and of changes in financial position and stockholders' equity of Heineken, Heineken Holding and the Heineken Subsidiaries as of the dates and for the periods referred to therein.

(b) Heineken has filed on a timely basis with the AFM, and has heretofore made available to FEMSA, true and complete copies of all forms, reports, schedules, statements and other documents required to be filed by Heineken with the AFM since January 1, 2007 (all such filed documents, together with all exhibits and schedules thereto and all information incorporated therein by reference, the "Heineken Securities Filings").

(c) With respect to the Heineken Disclosure Materials described in clause (ii) in the first sentence of Article V, all statements of fact contained therein were, at the date of such Heineken Disclosure Materials, and, save to the extent corrected in any document or announcement issued or made by or on behalf of Heineken subsequent thereto and save as qualified therein and other than any disclosures set forth in any risk factor section, in any section relating to forward looking statements and any other disclosures included therein to the extent they are predictive, cautionary or forward-looking in nature, remain true and accurate in all material respects and not misleading in any material respect and, subject to the foregoing qualifications, all estimates, expressions or opinion, intentions, beliefs or expectations contained therein were, at the date of such Heineken Disclosure Materials, made on reasonable grounds and were truly and honestly held by Heineken's management and were fairly based and there were not facts known, the omission of which would make any statement of fact, estimate, expression of opinion, intention, belief or expectation of Heineken's management in any of such Heineken Disclosure Materials misleading.

5.8 Absence of Certain Changes. Since the Balance Sheet Date, the business of Heineken and the Heineken Subsidiaries has been conducted in the ordinary course consistent with past practices and there has not been (a) any event, occurrence or development of a state of circumstances or facts that has had or would, individually or in the aggregate, reasonably be expected to have a Heineken Material Adverse Effect, (b) any material revaluation by Heineken or any Heineken Subsidiary of any of its assets, including writing down the value of capitalized inventory or writing off notes or accounts receivable or any material sale of asset of Heineken or a Heineken Subsidiary other than in the ordinary course of business, (c) any material damage, destruction or loss (whether or not covered by insurance) with respect to any material assets of Heineken or the Heineken Subsidiaries or (d) any action taken by Heineken or a Heineken Subsidiary that, if it had been taken after the date hereof, would have constituted a violation of Section 6.2.

5.9 Litigation. Neither Heineken Holding, Heineken nor any Heineken Subsidiary is a party to or, to the Knowledge of Heineken, threatened to be made a party to any Proceedings that would have, individually or in the aggregate, a Heineken Material Adverse Effect. Neither Heineken Holding, Heineken nor any Heineken Subsidiary is a party to or, to the Knowledge of Heineken, threatened to be made a party to any Proceedings that questions or challenges the validity of this Agreement or any action taken or to be taken by Heineken pursuant to this Agreement.

5.10 Required Permits; Compliance with Laws. (a) Heineken Holding, Heineken and each Heineken Subsidiary is in possession of all Required Permits that are necessary to own, lease and operate properties and for it to carry on its business as it is now being conducted and no suspension or cancellation of any of the foregoing is pending or threatened, except as would not have, individually or in the aggregate a Heineken Material Adverse Effect.

(b) To the Knowledge of Heineken, neither Heineken Holding, Heineken nor any of the Heineken Subsidiaries is in violation of any applicable Law, except for such violations that would not have, individually or in the aggregate, a Heineken Material Adverse Effect. Since January 1, 2009, each Heineken Party has complied in all material respects with its obligations under the Dutch Act on Financial Supervision and is not currently delaying the disclosure of any price-sensitive information (*koersgevoelige informatie*) (as such concept is defined in Chapter 5 (*Hoofdstuk 5*) of the Dutch Act on Financial Supervision).

5.11 Brokers or Finders. Neither Heineken Holding, Heineken nor any of the Heineken Subsidiaries or its Affiliates has entered into any agreement or arrangement entitling any agent, broker, investment banker, financial advisor or other firm or Person to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement, except Credit Suisse and Citi, whose fees and expenses will be paid by the relevant Heineken Party in accordance with such Heineken Party's agreement with such firm.

5.12 No Other Representations and Warranties. Each Heineken Party acknowledges that, except for the representations and warranties contained in this Agreement, none of the FEMSA Parties, nor any other Person acting on behalf of FEMSA or the FEMSA Parties, makes any representation or warranty, express or implied with respect to the transactions contemplated by this Agreement.

ARTICLE VI

COVENANTS

6.1 Interim Operations of the Company. (a) During the period from the date of this Agreement to the Closing Date, except as (A) expressly contemplated by this Agreement, (B) required by applicable Law and (C) may be consented to in writing by Heineken, the FEMSA Parties shall cause the Company and each of the Company Subsidiaries to (i) conduct the business of the Company and the Company Subsidiaries in the same manner in all material respects as heretofore conducted and only in the ordinary course consistent with past practice and in compliance with all material Laws, (ii) pay or perform its material obligations when due and (iii) use its commercially reasonable efforts consistent with past practice to (1) preserve intact its present business organization, (2) keep available the services of its present officers and employees, (3) preserve its relationships with customers, suppliers, distributors, licensors, licensees and others with which it has significant business dealings and (4) preserve intact the Company Intellectual Property:

(b) Without limiting the generality of the foregoing, except as (A) expressly contemplated by this Agreement, (B) required by applicable Law and (C) may be consented to in writing by any Heineken Party, the FEMSA Parties shall assure that, after the date hereof and prior to the Closing Date:

(i) neither the Company nor any Company Subsidiary shall amend its certificate of incorporation or by-laws or similar organizational documents and neither the Company nor any Company Subsidiary shall:

(A) issue, sell, transfer, pledge, dispose of or encumber any shares of any class or series of its capital stock, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of any class or series of its capital stock (unless such action with respect to a Company Subsidiary does not reduce the Company's aggregate direct or indirect ownership of such Company Subsidiary),

(B) except if by a wholly owned Company Subsidiary or for any Permitted Dividend (and up to the Permitted Dividend Amount), declare, set aside or pay any dividend or any other distribution payable in stock or property with respect to any shares of any class or series of its capital stock;

(C) except with respect to securities of a wholly owned Company Subsidiary, split, combine or reclassify any shares of any class or series of its stock, or

(D) except with respect to securities of a wholly owned Company Subsidiary or with respect to pension fund assets in the ordinary course of business, redeem, purchase or otherwise acquire directly or indirectly any shares of any class or series of its capital stock, or any instrument or security which consists of or includes a right to acquire such shares;

(ii) neither the Company nor any Company Subsidiary shall make any change in the compensation payable or to become payable to any of its employees (other than normal recurring changes in the ordinary course of business or pursuant to plans, programs, commitments or agreements existing on the date hereof);

(iii) neither the Company nor any Company Subsidiary shall adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other corporate reorganization;

(iv) neither the Company nor any Company Subsidiary shall change in any material respect any of the accounting methods (including tax accounting methods) used by it unless required by Mexican FRS or Brazilian GAAP;

(v) neither the Company nor any Company Subsidiary shall become legally committed to any new capital expenditure requiring expenditures after the Closing in excess of $10,000,000, individually or in the aggregate, except for expenditures pursuant to projects for which work has already been commenced or committed;

(vi) except in the ordinary course of business or as required by Law (including with respect to Taxes of Kaiser or of any of its Subsidiaries), neither the Company nor any Company Subsidiary shall transfer, sell, lease, license, mortgage or create an Encumbrance upon (other than Permitted Encumbrances) any of their respective assets or properties;

(vii) neither the Company nor any Company Subsidiary shall make any loans or advances to any Person such that the amount of principal owed by such Person to the Company and the Company Subsidiaries shall be in excess of $20,000,000, individually or in the aggregate, except for any such loans or advances made to its customers in the ordinary course of business consistent with past practice;

(viii) neither the Company nor any Company Subsidiary shall make any loans or advances to any officers, directors or managers of the Company or the Company Subsidiaries, except for payroll advances or, for the avoidance of doubt, for loans or advances made by Sociedad Cuauhtémoc y Famosa, in each case consistent with past practice;

(ix) neither the Company nor any Company Subsidiary shall enter into any new, or amend, terminate or renew any existing, material agreements with FEMSA or an Affiliate of FEMSA (other than the Company or any Company Subsidiary) including any agreement under which FEMSA or an Affiliate of FEMSA (other than the Company or any Company Subsidiary) is liable for Indebtedness to the Company or any Company Subsidiary;

(x) the Company and the Company Subsidiaries shall manage their consolidated Working Capital, Net Debt and Cash only in the ordinary course consistent with past practice;

(xi) neither the Company nor any Company Subsidiary shall make transfer, sell or otherwise dispose of material amount of assets other than sales of inventory in the ordinary course of business;

(xii) neither the Company nor any Company Subsidiary shall settle, or propose to settle, any Proceeding or liability to the extent such settlement (A) would provide for any injunctive relief or other material restriction on the business of the Company or the Company Subsidiaries or any admission by the Company or any Company Subsidiary of material liability of wrongdoing; (B) would require a payment in excess of $5,000,000 in the aggregate (whether or not covered by insurance); or (C) relates to Taxes in a manner that would adversely affect the Heineken Parties or any of the Company or a Company Subsidiary without the prior written consent of Heineken, which consent shall not be unreasonably withheld or delayed, provided that this Section 6.1(b)(xii) shall not apply to any settlement of any Proceeding or liability pertaining to Taxes with respect or relating solely to any Tax period ending on or before the Reference Date for which FEMSA has responsibility under Section 6.17(a), provided, however, that the Company or Company Subsidiary, as applicable, shall not settle or propose to settle such Proceeding or liability in a manner that would adversely affect the Heineken Parties or any of the Company or a Company Subsidiary without the prior written consent of Heineken, which consent shall not be unreasonably withheld or delayed;

(xiii) neither the Company nor any Company Subsidiary shall adopt, amend, modify or terminate any bonus, profit sharing, incentive, severance, employee benefit, or other plan for the benefit of any of its directors, officers and/or senior or managerial employees or make any contributions to any employee benefit plan in an amount exceeding contributions required by Law;

(xiv) neither the Company nor any Company Subsidiary shall take, or knowingly agree to or omit to take, any action that would result in any of the conditions to the Closing set forth in Article VII not being satisfied; and

(xv) neither the Company nor any of the Company Subsidiaries shall enter into any agreement, contract, commitment or arrangement to do any of the foregoing.

The Heineken Parties shall give good faith consideration to any reasonable consent sought by the FEMSA Parties or the Company to deviate from the restrictions set forth in this Section 6.1 and shall not withhold such consent without a good faith reason for doing so.

(c) Notwithstanding any other provision of this Agreement, other than the sponsorship agreements listed on Schedule 6.1(c) hereto (true and complete copies of which have been delivered to Heineken prior to the date hereof), prior to the date hereof FEMSA has transferred and assumed all assets and liabilities of the Company and Company Subsidiaries related to the Monterrey Rayados football team, including any such assets and liabilities related to the construction of a stadium for the Monterrey Rayados football team, provided that the current arrangements with respect to the sponsorship of the Monterrey Rayados football team will continue until June 2010, at which time it shall be renewed by the Company on the same terms and conditions currently in effect, except for (i) inflation adjustment of the amount thereof and (ii) a term that shall expire one year from the date of renewal.

(d) Notwithstanding any other provision of this Agreement, subsequent to the date hereof and on or prior to the Closing Date, (i) the Company and FEMSA shall agree to modifications to the existing Intercompany Loan Agreements such that all Indebtedness under the Intercompany Loan Agreements shall become due and payable one month following the Closing Date without any prepayment penalties and (ii) the Company shall assume the Santander Loan and FEMSA shall be released from the Santander Loan, and FEMSA Cerveza shall be released from the Santander Intercompany Loan, provided that in the event that the Company does not assume the Santander Loan, the Company and FEMSA shall agree to modifications to the existing Santander Intercompany Loan such that all Indebtedness under the Santander Intercompany Loan shall become due and payable one month following the Closing Date without any prepayment penalties and FEMSA shall take such actions as necessary so that the Company and the Company Subsidiaries are released from any associated guarantee.

6.2 Interim Operations of the Heineken Parties. (a) During the period from the date of this Agreement to the Closing Date, except as (A) expressly contemplated by this Agreement, (B) required by applicable Law and (C) may be consented to in writing by FEMSA, each Heineken Party shall assure that, after the date hereof and prior to the Closing Date:

(i) no Heineken Party shall amend its articles of association, certificate of incorporation or by-laws or similar organizational documents and no Heineken Party shall issue, sell, transfer, pledge, dispose of or encumber any shares of any class or series of its capital stock, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of any class or series of its capital stock;

(ii) except if by a Heineken Subsidiary, no Heineken Party shall declare, set aside or pay any dividend or any other distribution payable in stock or property with respect to any shares of any class or series of its capital stock, other than regular annual or semi annual dividends, provided that in respect of any such regular dividends, the Company shall have the right to declare, set aside or pay any dividend or any other distribution (any such dividend or distribution the "Permitted Dividend") up to an amount equal to the amount of dividends (the "Permitted Dividend Amount") declared or paid (or, with respect to clause (y) below, that would be declared or paid) by Heineken on (x) the Heineken Exchange Shares and (y) 29,172,504 Heineken Ordinary Shares from the date hereof to the Closing Date;

(iii) no Heineken Party shall, except with respect to securities of Heineken Subsidiaries, split, combine or reclassify any shares of any class or series of its stock;

(iv) except with respect to securities of Heineken Subsidiaries, or with respect to open market purchases of common stock under existing shareholder approved share buyback programs, no Heineken Party shall redeem, purchase or otherwise acquire directly or indirectly any shares of any class or series of its capital stock, or any instrument or security which consists of or includes a right to acquire such shares;

(v) no Heineken Party shall, except with respect to Heineken Subsidiaries, adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other corporate reorganization except for mergers, consolidations or other restructurings involving Heineken Holding or Heineken in which a Heineken Party is the surviving entity;

(vi) neither Heineken Holding, Heineken nor any Heineken Subsidiary shall change in any material respect any of the accounting methods used by it unless required by IFRS; or

(vii) neither Heineken Holding, Heineken nor any Heineken Subsidiary shall take, or knowingly agree to or omit to take, any action that would result in any of the conditions to the Closing set forth in Article VII not being satisfied; and

(viii) neither Heineken Holding, Heineken nor any Heineken Subsidiary shall enter into any agreement, contract, commitment or arrangement to do any of the foregoing.

6.3 Confidentiality. The Confidentiality Agreement shall be binding on the Parties hereto and in full force and effect until the Closing, at which time it shall terminate only with respect to the Heineken Parties with respect to information relating solely to the Company and/or one or more Company Subsidiaries. The information contained herein, in the FEMSA Disclosure Letter or delivered to the Heineken Parties or FEMSA or its respective authorized representatives pursuant hereto and the terms and existence of this Agreement and the status of the transactions contemplated hereby shall be deemed to be Evaluation Material (as defined in and subject to the terms and conditions of the Confidentiality Agreement) until the Closing.

6.4 Efforts and Actions to Cause Closing to Occur. (a) Prior to the Closing, upon the terms and subject to the conditions of this Agreement, the Heineken Parties and the FEMSA Parties shall use their respective commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done and cooperate with each other in order to do, all things necessary, proper or advisable to consummate the Closing as promptly as practicable, including:

(i) as soon as practical after the date of this Agreement, preparing and filing any and all premerger filings or other notifications, applications, forms, registrations and notices required to be filed to consummate the Closing, including under the Mexican Antitrust Law, the HSR Act, the Brazilian Antitrust Law and all other applicable laws;

(ii) the taking of such actions as are necessary to obtain any requisite approvals, authorizations, consents, orders, licenses, permits, qualifications, exemptions or waivers by any third party or Governmental Entity; all filings, notifications, reports forms and supplemental information shall be in substantial compliance with the requirements of the Mexican Antitrust Law, the HSR Act, the Brazilian Antitrust Law and such other antitrust laws; and with the understanding that Heineken shall coordinate any of such filings and proceedings and therefore will have the right to appoint the common representative that is required in terms of Mexican Antitrust Law; and

(iii) defending all lawsuits and other Proceedings challenging this Agreement or the consummation of the Closing, causing to be lifted or rescinded any injunction, decree, ruling, order or other Proceeding of any Governmental Entity adversely affecting the ability of the Parties to consummate the Closing.

(b) No Party hereto shall take any action after the date hereof that could reasonably be expected to materially delay the obtaining of, or result in not obtaining, any permission, approval or consent from any Governmental Entity or other Person required to be obtained prior to Closing. Nothing contained in this Agreement shall require the FEMSA Parties or the Company to pay any consideration to any other Person (other than nominal filing and application fees to Governmental Entities) from whom any such approvals, authorizations, consents, orders, licenses, permits qualifications, exemptions or waivers are requested.

(c) In furtherance and not in limitation of this Section 6.4, “commercially reasonable efforts” of the Heineken Parties shall include committing or causing the Heineken Parties or their Affiliates to commit to understandings, divestitures, licenses or hold separate or similar arrangements with respect to their respective assets or the assets subject to this Agreement, and to any all arrangements for the conduct of any business and/or terminating any and all existing relationships and contractual rights and obligations as a condition to obtaining any and all consents, approvals, authorizations, termination or expiration of waiting periods or clearance from any Governmental Entity necessary to consummate the transactions contemplated by this Agreement.

(d) If any Party hereto or Affiliate thereof receives a request for information or documentary material from any Governmental Entity with respect to this Agreement or any of the transactions contemplated hereby, it will respond promptly to such and provide any supplemental or additional information that may be reasonably requested by such Governmental Entity.

(e) The Parties shall keep each other apprised of the status of matters relating to the completion of the transactions contemplated hereby and work cooperatively in connection with obtaining the requisite approvals, consents, registrations or orders of each applicable Governmental Entity, including, without limitation:

(i) cooperating with each other in connection with filings and registrations under the *Ley Federal de Competencia Económica* (the “Mexican Antitrust Law”), HSR Act, Brazilian Law No. 8.884/94 (the “Brazilian Antitrust Law”), any foreign investment-related Laws and registrations or any other antitrust Laws;

(ii) promptly furnishing to the other Party all information within its possession that is required or reasonably advisable for any application or other filing to be made by the other Party pursuant to the Mexican Antitrust Law, the HSR Act, the Brazilian Antitrust Law, any foreign investment Laws or any other antitrust Laws in connection with the transactions contemplated by this Agreement;

(iii) promptly notifying each other, and providing copies, of any communications (including any correspondence, filings, writing or oral communication or documentary submissions) from, to or with any Governmental Entity with respect to the transactions contemplated by this Agreement, excluding any information that the Party has a right to keep confidential; such confidential information shall be disclosed to outside counsel for the other Party only;

(iv) in the case of any Heineken Party or any of its Affiliates (including the Company and any Company Subsidiary after the Closing), effecting the sale or disposition of, or arranging to hold separate, assets or businesses to the extent necessary or required pursuant to Section 6.4(c);

(v) not agreeing to participate in any meeting with any Governmental Entity in connection with proceedings under or relating to the Mexican Antitrust Law, the HSR Act, the Brazilian Antitrust Law, any foreign investment Laws or any other antitrust Laws unless it consults with the other Party in advance, and, to the extent permitted by such Governmental Entity, gives the other Party the opportunity to attend and participate thereat;

(vi) consulting with the other Parties in advance before a Party proffers any understandings, undertakings, or agreements (oral or written) that it proposes to enter into with any Governmental Entity; and

(vii) consulting and cooperating with one another in connection with all analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party hereto in connection with proceedings under or relating to the Mexican Antitrust Law, the HSR Act, the Brazilian Antitrust Law, any foreign investment Laws or any other antitrust Laws.

6.5 Publicity. The initial press release with respect to the execution of this Agreement shall be a joint press release acceptable to the Heineken Parties and FEMSA. Each of the Heineken Parties and FEMSA shall, and shall cause each of its Affiliates to, not issue or cause the publication of any press release or disclosure with respect to this Agreement or the transactions contemplated hereby without prior consultation with the other Party, except as may be required by Law or by any listing agreement with a national securities exchange or trading market in which case the disclosing Party shall use all reasonable endeavors to consult with the other Party prior to any such publication or disclosure. This Section 6.5 shall not limit the applicability of the Confidentiality Agreement.

6.6 Director and Officer Release and Discharge. On or before the Closing, FEMSA shall cause the Company and the Company Subsidiaries to resolve at their shareholders' meetings to ratify the performance of each departing director and officer of the Company and/or the Company Subsidiaries and release each of them (except for any breach of a duty of loyalty or any fraud or willful misconduct) from any and all past, present or future liability in connection with the performance of their duties in such capacity, subject to applicable Law.

6.7 Transaction Documents. The FEMSA Parties shall cause the Transaction Documents to be entered at or prior to the Closing.

6.8 Intercompany Arrangements. Notwithstanding anything herein to the contrary, FEMSA and its Affiliates shall be permitted to manage all Intercompany Accounts between the Company or any Company Subsidiary, on the one hand, and FEMSA and its Affiliates (excluding the Company and the Company Subsidiaries), on the other hand, in accordance with the principles set forth in Sections 6.1 and 6.8 of the FEMSA Disclosure Letter, provided that except as set forth in Sections 6.1 and 6.8 of the FEMSA Disclosure Letter, such Intercompany Accounts shall be managed solely in the ordinary course consistent with the past practice of FEMSA and provided further that, except as set forth in Section 6.1(d), FEMSA arranges, in a manner in its sole discretion, for the Intercompany Accounts, other than amounts due under the Closing Date Note, to be settled effective as of the Closing. Ordinary Course

Intercompany Payables and Receivables shall remain outstanding at Closing and shall be paid in the ordinary course of business in accordance with their terms after Closing by the Company and the Company Subsidiaries, on the one hand, or by FEMSA and its Affiliates, on the other hand, as the case may be. The Closing Date Note shall remain outstanding at Closing and shall be paid by the Company to FEMSA in accordance with its terms. Except as set forth on Section 6.8 of the FEMSA Disclosure Letter or otherwise expressly contemplated by this Agreement, all agreements and commitments, whether written, oral or otherwise, which are solely between the Company or any Company Subsidiary, on the one hand, and FEMSA and its Affiliates (excluding the Company and the Company Subsidiaries), on the other hand, shall be terminated and of no further effect, simultaneously with the Closing without any further action or liability on the part of the parties thereto.

6.9 Certain Heineken Commitments. On and after the Closing, for the periods specified in Section 6.9 of the FEMSA Disclosure Letter, Heineken shall cause the Company and the Company Subsidiaries to provide funding and support, consistent with past practices of the Company and the Company Subsidiaries, and in accordance with any existing arrangements or commitments between the Company and any Company Subsidiaries and as described in Section 6.9 of the FEMSA Disclosure Letter.

6.10 Maintenance of Books and Records. After the Closing, each of the Parties shall preserve, until at least the tenth anniversary of the Closing Date, all pre-Closing Date records possessed or to be possessed by such Party relating to the Company and any Company Subsidiary. After the Closing Date and up until at least the tenth anniversary of the Closing Date, upon any reasonable request from a Party hereto or its representatives, the Party holding such records shall (a) provide to the requesting Party or its representatives reasonable access to such records during normal business hours and (b) permit the requesting Party or its representatives to make copies of such records, in each case at no cost to the requesting Party or its representatives (other than for reasonable out-of-pocket expenses); provided, however, that nothing herein shall require either Party to disclose any information to the other if such disclosure would jeopardize any attorney-client or other legal privilege or contravene any applicable Law. Such records may be sought under this Section 6.10 for any reasonable purpose, including to the extent reasonably required in connection with the audit, accounting, Tax, litigation, federal securities disclosure or other similar needs of the Party seeking such records. Notwithstanding the foregoing, any and all such records may be destroyed by a Party if such destroying Party sends to the other Party written notice of its intent to destroy such records, specifying in reasonable detail the contents of the records to be destroyed and such records may then be destroyed after the 60th day following such notice unless the other Party hereto notifies the destroying Party that such other Party desires to obtain possession of such records, in which event the destroying Party shall transfer the records to such requesting Party and such requesting Party shall pay all reasonable expenses of the destroying Party in connection therewith.

6.11 Director Resignations. The FEMSA Parties shall deliver to Heineken the resignations of all FEMSA Representatives as members of the boards of directors of the Company and the Company Subsidiaries from their positions as directors of such entities immediately on or before the Closing and, in the case of Kaiser, such members shall simultaneously transfer to FEMSA Cerveza any shares in Kaiser owned by such members.

6.12 Further Assurances. (a) From and after the Closing, each of the FEMSA Parties and the Heineken Parties shall furnish or cause to be furnished to the other Parties and its employees, counsel, auditors and other representatives such information and assistance relating to the Company and the Company Subsidiaries (to the extent within the control of such other Party) as is reasonably necessary for financial reporting and accounting matters of the other Party.

(b) At any time and from time to time, each Party agrees, subject to the terms and conditions of this Agreement, to take such actions and to execute and deliver such documents as may be necessary to effectuate the purposes of this Agreement at the earliest practicable time.

6.13 Disclosure for Shareholder Meetings; Information Supplied.

(a) Each of Heineken Holding and Heineken shall, as soon as reasonably practicable after the condition set forth in Section 7.1(b) is satisfied and in accordance with all applicable filings and Laws, (i) prepare a circular for their respective shareholders (*aandeelhouderscirculaire*) in connection with the Heineken Shareholder Meetings (the "Heineken Circulars") and shall as soon as reasonably practicable thereafter publish the Heineken Circulars, make available such documents to those entitled to receive them and complete any other necessary formalities in relation to such documents in accordance with all applicable Laws. FEMSA shall, as promptly as reasonably practicable, use commercially reasonable efforts to furnish the relevant Heineken Party with all requested information concerning FEMSA, its Affiliates, their respective businesses and other matters, in each case to the extent necessary and appropriate for the preparation of the Heineken Circulars and any supplement or amendment thereto. FEMSA shall promptly notify the Heineken Parties in the event FEMSA becomes aware (i) that any information or statement in the Heineken Circulars reflecting information provided by FEMSA (and/or in relation to FEMSA, the Company, the Company Subsidiaries and/or their respective businesses) is untrue or inaccurate in any material respect or (ii) of any fact (in relation to FEMSA, the Company, the Company Subsidiaries and/or their respective businesses), the omission of which renders any such information or statement contained in the Heineken Circulars misleading in any material respect.

(b) FEMSA shall have an opportunity to review in advance all written submissions in connection with the Heineken Circulars and to comment on the sections of such submissions, filings and drafts that include any disclosure relating to FEMSA, any of its Affiliates, their respective businesses, this Agreement or the transactions contemplated hereby and the relevant Heineken Party shall take into account the reasonable comments of FEMSA in relation thereto. Except to the extent required under applicable Laws, no Heineken Party shall include any disclosure relating to FEMSA, any of its Affiliates, their respective businesses, this Agreement or the transactions contemplated hereby in the Heineken Circulars or any draft thereof if FEMSA reasonably objects to such disclosure (and FEMSA agrees not to object to any such disclosures that are accurate, not misleading, and necessary and appropriate for the publication of the Heineken Circular and/or to obtain the Heineken Shareholder Approvals).

(c) Notwithstanding the provisions of Section 6.13(a) and (b), the relevant Heineken Party shall be wholly responsible for the contents of the Heineken Circular and FEMSA shall have no responsibility or liability whatsoever for the contents of such documents or for any information provided to the relevant Heineken Party for inclusion therein.

(d) FEMSA shall, as soon as reasonably practicable after the condition set forth in Section 7.1(b) is satisfied and in accordance with all applicable filings and Laws, prepare and file with the CNBV and Bolsa a *folleto informativo* to be made available to FEMSA shareholders in connection with the FEMSA Shareholder Meeting in accordance with Mexican Law (the "FEMSA Information Statement"). To the extent required under any applicable Laws, after the FEMSA Information Statement has been so made available, FEMSA shall promptly circulate amended, supplemental or supplemented materials. The Heineken Parties shall, as promptly as reasonably practicable, use commercially reasonable efforts to furnish FEMSA with all requested information concerning the Heineken Parties, their Affiliates, their respective businesses and other matters, in each case to the extent necessary and appropriate for the preparation of the FEMSA Information Statement and any supplement or amendment thereto. The Heineken Parties shall promptly notify FEMSA in the event any of them becomes aware (i) that any information or statement in the FEMSA Information Statement reflecting information provided by the relevant Heineken Party is untrue or inaccurate in any material respect or (ii) of any fact the omission of which renders any such information or statement contained in the FEMSA Information Statement misleading in any material respect.

(e) The Heineken Parties shall have an opportunity to review in advance all written submissions to or filings of the FEMSA Information Statement and to comment on the sections of such submissions or filings that include any disclosure relating to any Heineken Party, any of its Affiliates, their respective businesses, this Agreement or the transactions contemplated hereby and FEMSA shall take into account the reasonable comments of the relevant Heineken Party in relation thereto. Except to the extent required by the CNBV, Mexican Law and/or any applicable Laws, FEMSA shall not include any disclosure relating to any Heineken Party, any of its Affiliates, their respective businesses, this Agreement or the transactions contemplated hereby in the FEMSA Information Statement or any draft thereof submitted to the CNBV in relation thereto if such Heineken Party reasonably objects to such disclosure (and such Heineken Party agrees not to object to any such disclosures that are accurate, not misleading, and necessary and appropriate for the publication of the FEMSA Information Statement and/or to obtain the FEMSA Shareholder Approval).

(f) Notwithstanding the provisions of Section 6.13(d) and (e), FEMSA shall be wholly responsible for the contents of the FEMSA Information Statement and no Heineken Party shall have any responsibility or liability whatsoever for the contents of such documents.

6.14 Shareholder Approvals; Convening of Shareholder Meetings.

(a) The Heineken Parties and FEMSA shall convene and hold the Heineken Shareholder Meetings to seek the Heineken Shareholder Approvals and the FEMSA Shareholder Meeting to seek the FEMSA Shareholder Approval, as applicable, as soon as reasonably practicable following the approvals by the Heineken board of directors and supervisory board and the day after the FEMSA Information Statement has been cleared for public distribution by the CNBV, as applicable. Each Party acknowledges that its obligations to cause a shareholders meeting to be convened under this Section 6.14 shall not in any way be mitigated by a withdrawal or modification of the recommendation of its board of directors and/or supervisory board (as applicable) or any decision by its board of directors and/or supervisory board (as applicable) not to give such recommendation. A withdrawal or modification by any Party's board of directors and/or supervisory board (as applicable) of its recommendation pursuant to and in accordance with Section 6.15 or any decision by any Party's board of directors and/or supervisory board (as applicable) not to give such recommendation pursuant to and in accordance with Section 6.15 shall not be deemed to be a breach of this Section 6.14. The Control Trust has executed and delivered as of the date hereof the FEMSA Control Trust Voting Agreement, which is attached hereto as Exhibit T, which includes as an exhibit thereto the irrevocable instructions of the Technical Committee of the Control Trust instructing the Trustee of the Control Trust to vote the Control Trust shares in the FEMSA Shareholders Meeting in order to adopt the FEMSA Shareholder Approval in accordance with the FEMSA Control Trust Voting Agreement. The controlling shareholders of each of Heineken and Heineken Holding have executed and delivered, as of the date hereof, the Heineken Voting Agreements, which are attached hereto as Exhibits U and V.

(b) No later than ninety (90) days following the Closing Date, the Heineken Parties shall have taken such actions as are necessary in order to cause the Heineken Exchange Shares and Heineken Holding Exchange Shares to be admitted to listing and trading on the regulated market "Euronext Amsterdam by NYSE Euronext" of Euronext Amsterdam N.V. (it being understood that such Heineken Exchange Shares shall be subject to the transfer restrictions contained in the Corporate Governance Agreement and that the delivery of the Heineken Exchange Shares to FEMSA pursuant to this Agreement does not constitute a public offering) and to obtain the approval by the AFM of the prospectuses in connection with the admission of the Heineken Exchange Shares and the Heineken Holding Exchange Shares to such listing and trading (the "Heineken Prospectuses"). FEMSA shall have the right to review and comment on the Heineken Exchange Shares and the Heineken Holding Exchange Shares before these are admitted to listing and trading, as well as the Heineken Prospectuses prepared in connection therewith.

6.15 Board of Directors Recommendations. Each of the Heineken Parties and FEMSA shall include in the Heineken Circulars and in the FEMSA Information Statement, as applicable, the unanimous recommendation of its respective board of directors and supervisory board, as applicable, to its respective shareholders of the approval of all resolutions required to be passed in order for the Heineken Shareholder Approvals and the FEMSA Shareholder Approval (as applicable) to be obtained and each such recommendation shall not at any time be withdrawn or adversely modified, in the case of the FEMSA board of directors in a manner adverse to the Heineken Parties and in the case of the Heineken Parties' board of directors and supervisory board in a manner adverse to FEMSA, and no Party shall take or omit to take any

action if taking or omitting to take such action would lead to such a withdrawal or modification or any decision by its respective board of directors and/or supervisory board (as the case may be) not to give such recommendation or announce its intention to make a determination not to give or to withdraw or modify such recommendation except (i) in each case, to the extent that its respective directors have determined in good faith that such recommendation should not be given where to do so would be a breach of their fiduciary duties pursuant to applicable Laws; or (ii) in each case, to the extent that its respective directors have determined in good faith that such recommendation should be withdrawn or modified where not to do so would be a breach of their fiduciary duties. Furthermore, the board of directors of FEMSA shall not recommend or endorse the adoption of an Acquisition Proposal from a party other than the Heineken Parties (each, an "Alternative Acquisition Proposal"), except to the extent that the directors of the FEMSA board of directors have determined in good faith that it would be a breach of their fiduciary duties not to do so pursuant to applicable Law. If, for any reason, the board of directors of FEMSA shall withdraw or modify its endorsement or recommendation necessary for FEMSA Shareholder Approval, announce its intention not to give or to withdraw or modify its endorsement or recommendation for FEMSA Shareholder Approval, or endorses or recommends an Alternative Acquisition Proposal, then this Agreement may be terminated pursuant to Section 8.1(g), in which event FEMSA shall pay the Heineken Parties the Termination Fee in accordance with Section 8.3.

6.16 Exclusivity.

(a) Between the date of this Agreement and the earlier of the Closing and the termination of this Agreement, no FEMSA Party shall, and each FEMSA Party shall take all action necessary to ensure that none of the Company, any of the Company Subsidiaries or any of their respective Affiliates or representatives shall:

(i) solicit, initiate, consider, encourage or accept any other proposals or offers from any Person (A) relating to any direct or indirect acquisition or purchase of all or any portion of the capital stock of the Company or any of the Company Subsidiaries or assets of the Company or any of the Company Subsidiaries, other than inventory to be sold in the ordinary course of business consistent with past practice, (B) to enter into any merger, consolidation or other business combination relating to the Company or any of the Company Subsidiaries or (C) to enter into a recapitalization, reorganization or any other extraordinary business transaction involving or otherwise relating to the Company or any of the Company Subsidiaries (each, an "Acquisition Proposal"); or

(ii) participate in any discussions, conversations, negotiations or other communications regarding, or furnish to any other Person any information with respect to, or otherwise cooperate in any way, assist or participate in, facilitate or encourage any effort or attempt by any other Person to seek to do any of the foregoing. FEMSA immediately shall cease and cause to be terminated all existing discussions, conversations, negotiations and other communications with any Persons conducted heretofore with respect to any of the foregoing.

(b) FEMSA shall notify Heineken promptly, but in any event within 24 hours, orally and in writing if any such proposal or offer, or any inquiry or other contact with any Person with respect thereto, is made. Any such notice to Heineken shall indicate in reasonable detail the identity of the Person making such proposal, offer, inquiry or other contact and the terms and conditions of such proposal, offer, inquiry or other contact. FEMSA shall not, and shall cause the Company and each of the Company Subsidiaries not to, release any Person from, or waive any provision of, any confidentiality or standstill agreement to which the FEMSA or the Company or any of the Company Subsidiaries is a party, without the prior written consent of Heineken.

(c) Between the date of this Agreement and the earlier of the Closing and the termination of this Agreement, FEMSA shall not release any other party from the terms of the individual confidentiality agreements which FEMSA has signed in connection with the sale of FEMSA Empire or any similar transaction involving the FEMSA Cerveza business, including any transaction that would be an Alternative Acquisition Proposal or otherwise. FEMSA's obligation to enforce the terms of such confidentiality agreements shall include enforcement, if applicable, of specific confidentiality provisions prohibiting such parties from making any public statements with regard to such transactions, taking any action with might force FEMSA to make a public statement or engaging in any form of solicitation of proxies or consents with respect to any voting securities of FEMSA.

6.17 Tax Matters. (a) Apportionment of and Responsibility for Taxes. Subject to any relevant limitations in Section 9.2(b), FEMSA shall be responsible for and pay any and all Taxes levied or imposed on, in connection with, or attributable to, the Company or any Company Subsidiary that accrue or otherwise relate to any taxable year or period (or portion thereof) ending (or deemed to end) on or before the Reference Date, except to the extent such Taxes were included in the calculation of Reference Date Working Capital or as specifically disclosed in paragraph 3 of Section 4.16(a) of the FEMSA Disclosure Letter, provided that this exception shall not apply with regards to any Taxes that are attributable to any matter pertaining to Brazilian Taxes. Subject to any relevant limitations in Section 9.2(b), with respect to Taxes that are levied or imposed for a Straddle Period, the amount of such Taxes that are allocable to FEMSA shall be the amount of such Taxes that are due and payable for the portion of the Straddle Period ending as of the Reference Date, except to the extent such Taxes were included in the calculation of Reference Date Working Capital or as specifically disclosed in paragraph 3 of Section 4.16(a) of the FEMSA Disclosure Letter, provided that this exception shall not apply with regards to any Taxes that are attributable to any matter pertaining to Brazilian Taxes. Notwithstanding any other provision in this Agreement, the FEMSA Parties' responsibility for Taxes of Kaiser or any of its Subsidiaries shall be limited to 83% of such Taxes.

(b) Transfer Taxes and Other Closing Expenses. Any excise, sales, transfer, documentary, filing, recordation and other similar taxes, levies, fees and charges, and any other expenses of Closing, if any (including all real estate transfer taxes and conveyance and recording fees, if any), that may be imposed upon, or payable or collectible or incurred in connection with, this Agreement and the transactions contemplated hereby (such Taxes, "Transfer Taxes") shall be paid by the Party that is liable for payment of such Taxes. Notwithstanding the provisions of Section 6.17(c), which shall not apply to Tax

Returns relating to Transfer Taxes, any Tax Returns that must be filed in connection with Transfer Taxes shall be prepared and filed when due by the Party primarily or customarily responsible under the applicable local law for filing such Tax Returns, and such Party will use its reasonable efforts to provide such Tax Returns to the other Party at least ten (10) Business Days prior to the due date for such Tax Returns.

(c) Tax Returns. (i) (A) FEMSA shall be responsible for the timely filing (taking into account any extensions received from the relevant tax authorities) of all Tax Returns required by law to be filed by or include the Company or any Company Subsidiary that are due on or prior to the Closing Date; and (B) such Tax Returns shall be true, correct and complete in all material respects and accurately set forth all items to the extent required to be reflected or included in such Tax Returns by applicable Tax laws, regulations or rules.

(ii) Heineken shall be responsible for the timely filing (taking into account any extensions received from the relevant tax authorities) of all Tax Returns required by Law to be filed by or include the Company or any Company Subsidiary that are due after the Closing Date, it being understood that all Taxes indicated as due and payable on such returns shall be the responsibility of Heineken, except for such Taxes which are allocated to FEMSA under Section 6.17(a).

(iii) FEMSA shall be entitled to review and comment on any Tax Returns for the Company or any Company Subsidiary for any taxable period that includes any day(s) on or prior to the Reference Date before such Tax Return is filed. Heineken shall submit a draft of any such Tax Return (with copies of any relevant schedules, work papers and other documentation then available) to FEMSA at least 30 days where practical, or otherwise as soon as commercially reasonable, before the date such Tax Return is required to be filed with the relevant tax authority. FEMSA shall have the option of providing to Heineken, at any time at least 10 days where practical before the date such Tax Return is required to be filed with the relevant tax authority, written instructions as to how FEMSA wants any, or all, of the items for which it may be responsible reflected on such Tax Return. Heineken shall notify FEMSA within 5 days after receipt of such instructions of (x) the extent, if any, to which Heineken accepts such instructions and will file such Tax Return in accordance therewith and (y) the extent, if any, to which Heineken rejects such instructions. To the extent Heineken rejects the instructions of FEMSA, Heineken and FEMSA shall, within 2 days, submit the items that are in dispute to an independent accounting firm as may be mutually acceptable to the Heineken and FEMSA (the "Accounting Firm") for it to determine the correct manner for reporting such items. FEMSA and Heineken shall promptly provide to the Accounting Firm all relevant information, and the Accounting Firm shall have 5 days to submit its determination. The determination of the Accounting Firm shall be binding upon the Parties, and Heineken shall file such Tax Return in accordance therewith. The fees and expenses of the Accounting Firm shall be paid one-half by FEMSA and one-half by Heineken. Notwithstanding this Section 6.17(c)(iii), Heineken shall be responsible for timely filing any such Tax Return for which Heineken is responsible under this Section 6.17(c)(iii), which Tax Return may be subject to amendments depending on the determination of the Accounting Firm.

(iv) FEMSA may propose to Heineken to amend any Tax Return filed or required to be filed for any taxable years or periods ending on or before the Closing Date; provided, however, that FEMSA shall be entitled to review and comment on any such amended Tax Return before such amended Tax Return is filed. Heineken shall submit a draft of any such amended Tax Return (with copies of any relevant schedules, work papers and other documentation then available) to FEMSA where practical at least 30 days before the date such amended Tax Return is intended to be filed with the relevant tax authority. Disputed issues, if any, shall be referred to the Accounting Firm in the manner set forth in Section 6.17(c)(iii) above.

(d) Certain Post-Closing Actions.

(i) Heineken shall not permit the Company or any Company Subsidiary to take any action that reasonably could be expected to increase FEMSA's responsibility for Taxes without FEMSA's written consent, such consent not to be unreasonably withheld, except to the extent required by applicable Law.

(ii) Neither Heineken nor any Affiliate of the Heineken Parties shall (or shall cause or permit the Company or any Company Subsidiary to) amend, refile or otherwise modify any Tax Return relating in whole or in part to the Company or any Company Subsidiary with respect to any taxable year or period ending on or before the Reference Date (or with respect to any Straddle Period) without the prior written consent of FEMSA, which consent may not be unreasonably withheld.

(e) Tax Refunds and Tax Credits. Any Tax Refunds that are received by any of the Company or a Company Subsidiary, less any actual Tax cost suffered by the Company or Company Subsidiary attributable to such receipt, and any amounts of Tax Credits to which a Heineken Party or any of the Company or a Company Subsidiary becomes entitled, less any actual Tax cost suffered by a Heineken Party, the Company or a Company Subsidiary as a result of such entitlement, in each case that relate to Tax periods or portions thereof ending on or before the Reference Date with respect to the Company or a Company Subsidiary, shall be for the account of FEMSA, and the relevant Heineken Party shall pay over to FEMSA (i) any such Tax Refund or any other financial instrument corresponding to such Tax Refund in whole or in part, after the deduction of any actual Tax Cost suffered by the Company or Company Subsidiary attributable to the receipt of such instrument, within fifteen (15) days after receipt thereof, and (ii) the amount of actual Tax savings realized with the use of a Tax Credit by such Heineken Party or the Company or Company Subsidiary at the time the Tax Return to which such Tax Credit relates is filed by such Heineken Party or the Company or Company Subsidiary; provided, however, that (x) FEMSA shall not have the right Tax Refunds or Tax Credits that are attributable to a carry-back of tax attributes applicable to operations, transactions or other activities occurring after the Reference Date and (y) Heineken will, and will cause the Company and the Company Subsidiaries to, under FEMSA's directions, use commercially reasonable efforts, as per instruction from FEMSA, to optimize the receipt of any Tax Refund or the entitlement to any Tax Credit that are to be paid to FEMSA under this Section 6.17(e), including through the offset against other Taxes due, when applicable. In determining the amount of Tax Refunds or Tax Credits to be paid to FEMSA, principles similar to those set forth in Section 9.3(a) shall be applied to reduce the applicable amount by any actual Tax cost suffered by the relevant Heineken Party, Company or Company Subsidiary upon receipt of such Tax Refund or as a result of becoming entitled to Tax Credits.

(f) Tax Contests. (i) FEMSA shall, at its sole option, control the conduct, at its sole expense, through its own counsel and with the cooperation of the Heineken Parties, of any claim (or any inquiry) for Taxes by any Governmental Entity (a "Tax Claim") involving any asserted liability with respect or relating solely to any Tax period ending on or before the Reference Date for which FEMSA has responsibility under Section 6.17(a). If FEMSA assumes such defense, Heineken shall have the right to participate in the defense thereof and to employ counsel (not reasonably objected to by FEMSA), at their own expense, it being understood that FEMSA shall control such defense, including the right to control all negotiations, settlements, compromises and appeals of any such Tax Claim, all of which shall be at the expense of FEMSA. In any event, if FEMSA fails to take reasonable steps necessary to defend diligently the Tax Claim within 20 days after receiving notice with respect to the Tax Claim, the Heineken Parties may assume such defense, and the fees and expenses of their attorneys will be covered by the indemnity provided for in Section 9.2(b). If FEMSA chooses to defend or prosecute a Tax Claim, Heineken shall cooperate in the defense or prosecution thereof. Such cooperation by Heineken shall include the retention and (upon FEMSA's request and at FEMSA's expense) the provision to FEMSA of records and information that are reasonably relevant to such Tax Claim, the commencement of Proceedings with respect to such Tax Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, provided that a material failure to provide such cooperation by Heineken, after notice of such failure to Heineken and a reasonable opportunity to respond to such notice, shall bar the Heineken Parties from any remedy with respect to such Tax Claim. FEMSA shall have all rights to settle, compromise and/or concede such Tax Claim and Heineken shall reasonably cooperate and shall cause the Company and each Company Subsidiary to reasonably cooperate; provided, however, that FEMSA shall not settle, compromise and/or concede such Tax Claim in a manner that would adversely affect the Heineken Parties or any of the Company or a Company Subsidiary without the prior written consent of Heineken, which consent shall not be unreasonably withheld or delayed. FEMSA shall not extend the applicable statute of limitations with respect to any Tax Return for any Tax period ending on or before the Reference Date without the prior written consent of Heineken, which consent shall not be unreasonably withheld or delayed.

(ii) With respect to any Tax Claim for which FEMSA has responsibility under Section 6.17(a) that involves any Straddle Period, Heineken and FEMSA shall jointly control the conduct of any such Tax Claim through counsel of their own choosing and expense; provided, however, that neither Heineken nor FEMSA shall settle, compromise or concede such Tax Claim in a manner that would adversely affect the other Party without the prior written consent of such Party, which consent shall not be unreasonably withheld or delayed.

(iii) With respect to any Tax Claim that relates solely to Taxes that are not the responsibility of FEMSA under Section 6.17(a), or Tax Claims as to which FEMSA has not exercised its option to control or jointly control such Tax Claim, the Heineken Parties shall not settle, compromise or concede any such Tax Claim in a manner that would adversely affect FEMSA without the prior written consent of FEMSA, which consent shall not be unreasonably withheld or delayed.

(g) Indemnification Procedures. In order for the Heineken Parties to be entitled to any indemnification provided for under Section 9.2(b), Heineken shall deliver written notice thereof to FEMSA describing in reasonable detail the facts giving rise to any claim for indemnification hereunder within 10 days of any Heineken Party becoming aware of the potential for such claim (unless such notification refers to a Brazilian Tax foreclosure or any Proceedings in Brazil in which there is an opportunity to present a motion of clarification, in which cases the written notification shall be provided within 2 days), the amount or method of computation of the amount of such claim (if known), copies of all notices and documents (including court or similar papers, as applicable), and such other information with respect thereto as FEMSA may reasonably request. The failure to provide such notice, however, shall not release FEMSA from any of its obligations under Section 9.2(b) except and only to the extent, if any, that FEMSA is actually prejudiced by such failure.

6.18 FEMSA Non-Competition; Non-Solicitation.

(a) (i) Until FEMSA ceases to have the right to have a director in the Heineken Holding board of directors or the Heineken supervisory board and for a period of two (2) years from the expiration of all such rights, FEMSA shall and shall cause its Subsidiaries (A) to not directly or indirectly engage in the Heineken Territory in the production, manufacturing, packaging, distribution, marketing and sale of beer, non alcoholic beer and beverages derived from beer and the beer brewing and fermentation process, malted beverages, wort based beverages and, provided they contain alcohol, cider and cider based beverages (the "Heineken Products") and (B) to use their respective reasonable efforts to cause any Person which is not a Subsidiary and in which any of them holds a direct or indirect ownership interest of at least twenty percent (20%) not to take any of the actions set forth in clause (A) above; provided that the foregoing shall not apply to any purchase by FEMSA or any of its Subsidiaries of a small brewer license or equivalent permit in the United States for use solely in connection with FEMSA's or any of its Subsidiaries' convenience store retail operations in the United States, as long as the purchased license does not allow for the production of more than sixty thousand (60,000) barrels of beer annually; provided that such beer shall not be produced under license from third parties and provided, further, however, that the foregoing shall not apply to the sale, marketing and distribution of Heineken Products in stores owned or operated by FEMSA or any of its Subsidiaries.

(b) In the Heineken Territory (other than in Mexico):

(i) the Parties agree that, notwithstanding Section 6.18 (a), should FEMSA identify an Integrated Competitor in a territory in which FEMSA or any of its Subsidiaries may, from time to time, carry on business (other than Mexico, where paragraph 6.18(c) shall apply), and FEMSA makes a reasonable determination that it is necessary to offer Heineken Products as part of FEMSA's or any of its Subsidiaries'

portfolio of products in that territory in order to compete effectively with such Integrated Competitor within that territory, they will explore and discuss the possibility of FEMSA or any of its Subsidiaries distributing and selling Heineken Products provided that, if the Parties cannot reach agreement on such matters, FEMSA or any of its Subsidiaries shall be free to produce, market, sell and distribute Heineken Products in such territory and, if FEMSA or any of its Subsidiaries exercises such a right, Heineken shall be free to produce, market, sell and/or distribute Non Alcoholic Beverages in such territory;

(ii) the Parties agree that notwithstanding Section 6.18 (a) FEMSA or any of its Subsidiaries shall be free to acquire any business which comprises both an Alcoholic Beverages Business and a Non Alcoholic Beverages Business provided that the Alcoholic Beverages Business comprises less than 49% of such business (calculated on a prior year net sales basis), and should FEMSA notify Heineken of its present intention, or the present intention of a FEMSA Subsidiary, to acquire such business, Heineken shall not make any offer to acquire the same until FEMSA has notified Heineken that neither FEMSA nor its Subsidiaries intend to purchase such business, provided that if FEMSA or any of its Subsidiaries elects to acquire such business, Heineken shall have a Call Option over such Alcoholic Beverages Business at Fair Market Value.

(iii) if FEMSA or any of its Subsidiaries does not exercise its right referred to in 6.18(b)(ii) above, the Parties agree to explore and discuss the possibility of a joint acquisition of the business in question (including without limitation whereby FEMSA or any of its Subsidiaries acquires the Non Alcoholic Beverages Business and Heineken acquires the Alcoholic Beverages Business or the Parties jointly acquire or operate the businesses). If the Parties cannot reach agreement within 2 months, then Heineken shall be free to acquire the business.

(c) In Mexico the Parties agree that, notwithstanding Section 6.18(a), in response to an Integrated Competitor, FEMSA or any of its Subsidiaries believes that it is necessary to offer Heineken Products as part of FEMSA's or any of its Subsidiaries' portfolio of products in that territory in order to compete effectively with such Integrated Competitor, they will explore and discuss the possibility of FEMSA or any of its Subsidiaries distributing and selling Heineken Products in all or part of Mexico, provided that, if the Parties cannot reach agreement on such matters, the provisions of Section 6.18(a) shall continue to apply.

(d) For purposes of this Section 6.18:

"Alcoholic Beverage Business" shall mean any business relating to the brewing, production or distribution of Heineken Products but shall not, for the avoidance of doubt, include sales of Heineken Products in FEMSA's own stores;

"Call Option" shall mean the right for the option holder or a third party nominated by the option holder to acquire the relevant assets in accordance with the provisions of this Section 6.18.

"Heineken Territory" shall mean South America, Central America, Mexico, the United States, Canada and the Caribbean (including Cuba);

"Integrated Competitor" means any present or future competitor to KOF which is a significant competitor of Heineken Products and becomes engaged in the Non-Alcoholic Beverage Business;

"Integrated Competitor Territory" means the specific geographic area in which the applicable Integrated Competitor operates and in which FEMSA or any of its Subsidiaries has made a reasonable determination that it is necessary to offer Heineken Products in order to compete effectively with such Integrated Competitor;

"KO Beverage Business" means any business that relates to the production, sale, marketing or distribution of beverages (including, without limitation carbonated soft drinks, juices, nectars, fruit-flavored beverages, water, teas, isotonics, and other flavored or functioning beverages) under trademarks owned by or licensed to The Coca-Cola Company or any of its Affiliates.

"Non-Alcoholic Beverage Business" means any business relating to the production, sale, marketing or distribution of non-alcoholic beverages (including, without limitation carbonated soft drinks, juices, nectars, fruit-flavored beverages, water, teas, isotonics, and other flavored or functioning beverages), but excluding any non-alcoholic beer or alcoholic malt-based beverage product, provided however, that Non-Alcoholic Beverage Business shall not include any KO Beverage Business.

(e) If Heineken (the "Exercising Party") becomes aware that FEMSA or any of its Subsidiaries has acquired any business which gives rise to a Call Option for the purposes of Section 6.18(b)(ii), it may at any time notify in writing FEMSA (the "Required Transferor") that it is exercising its Call Option (a "Call Option Notice") requiring the Required Transferor to sell to the Exercising Party or such party as the Exercising Party may nominate (in which case references to the Exercising Party shall be to such nominee as from Call Option Completion) the interest of the other Party in the relevant Alcoholic Beverages Business.

(f) The terms of the Call Option shall be as follows:

(i) the Call Option shall be exercised at a price of the Fair Market Value of the relevant Alcoholic Beverages Business;

(ii) the terms of the sale of the relevant Alcoholic Beverages Business pursuant to the Call Option shall be customary for such a sale in the relevant jurisdiction provided however that the terms shall be substantially to the terms, save as to price, of the original acquisition (the "Original Acquisition Terms"); and

(iii) the closing of the purchase of the relevant Alcoholic Beverages Business pursuant to the Call Option ("Call Option Completion") will take place at the offices of the designated lawyers of the Exercising Party at a date no later than one hundred and eighty (180) days after the date on which the Call Option Notice is

delivered, unless the Exercising Party and the Required Transferor agree in writing to a different date, time or place; provided that, if the purchase and sale of such relevant Alcoholic Beverages Business pursuant to the Call Option is subject to any prior anti-trust or other regulatory approval:

(A) Call Option Completion shall be the fifth Business Day after all such approvals shall have been received; and

(B) the Parties shall co-operate with each other and each use all reasonable endeavors to obtain such approvals;

(iv) the Required Transferor shall deliver to the Exercising Party any documentation necessary to transfer the relevant Alcoholic Beverages Business to the Exercising Party free and clear of all liens or rights of others of any nature;

(v) the Exercising Party shall, at Call Option Completion, pay the Required Transferor in U.S. Dollars, by wire transfer in federal (same day) funds to the account or accounts that the Required Transferor designates, an amount equal to price (as set out in 1.8(a)) of the shares of the relevant Alcoholic Beverages Business being acquired;

(vi) FEMSA agrees not to enter into any agreement in relation to any relevant Alcoholic Beverages Business which includes any clause (including without limitation a prohibition on the sale of such relevant Alcoholic Beverages Business) which would be inconsistent with the terms of this Section 6.18. The Parties also agree that, in the event of a breach of this Section 6.18 the Required Transferor may not rely on such prohibition;

(vii) during the period from delivery of the Call Option Notice until Call Option Completion, the Required Transferor shall ensure that the relevant Alcoholic Beverages Business is run in the ordinary course and with the aim of preserving the value and assets of such relevant Alcoholic Beverages Business; and

(viii) the Required Transferor shall ensure that all applicable related party rules are complied with in connection with any exercise of a Call Option.

(g) The Required Transferor shall be required to provide all such financial and other information (subject to standard terms of confidentiality) to the Exercising Party as the Exercising Party shall reasonably determine as being necessary in order to make an independent determination of the value of the relevant Alcoholic Beverages Business (the "Valuation Information").

(h) The Parties agree that:

(i) any determination of "Fair Market Value" in respect of an interest in a relevant Alcoholic Beverages Business which is the subject of a Call Option shall be the proportion of the Relevant Alcoholic Beverages Business Value as is represented by that interest. "Relevant Alcoholic Beverages Business Value" shall mean

the amount in U.S. Dollars that, as of the Valuation Date, would be received for all issued, subscribed and paid shares of the relevant Alcoholic Beverages Business's capital stock in an arm's length transaction between a willing buyer and seller and on the basis that the relevant Alcoholic Beverages Business is and continues to be an independent, stand alone entity determined as follows:

(A) Heineken and FEMSA will each make an independent determination of the Relevant Alcoholic Beverages Business Value (each an "Original Valuation Determination") and will submit it to the other within forty-five (45) days after delivery of the Call Option Notice (or such other dates as the Parties mutually agree). Each Original Valuation Determination shall set forth a single determination of the value of the relevant Alcoholic Beverages Business, and not a range thereof. If the Original Valuation Determinations differ by an amount which is less than 10% of the smaller Original Valuation Determination, the Relevant Alcoholic Beverages Business Value will be the average of the Original Valuation Determinations;

(B) if the difference between the Original Valuation Determinations is an amount which is greater than 10% of the smaller Original Valuation Determination, Heineken and FEMSA will each select a financial institution from the FMV Institution List. These two institutions will make their respective determinations of the Relevant Alcoholic Beverages Business Value (each a "Second Valuation") and submit them to each of Heineken and FEMSA within forty-five (45) days of the delivery of the Original Valuation Determinations. Each Second Valuation shall set forth a single determination of the value of the relevant Alcoholic Beverages Business and not a range thereof. If the Second Valuations differ by an amount which is less than 10% of the smaller Second Valuation, the Relevant Alcoholic Beverages Business Value will be the average of such Second Valuations;

(C) if the Second Valuations differ by an amount which is greater than 10% of the smaller Second Valuation, the two aforementioned institutions will select a third institution from the FMV Institution List, which institution shall then make its own determination of the Relevant Alcoholic Beverages Business Value (the "Third Valuation"). The Third Valuation shall set forth a single determination of the value of the relevant Alcoholic Beverages Business and not a range thereof. The third institution will determine which of the Second Valuations is closest to the Third Valuation, and the closest such valuation shall become the final valuation (the "Final Valuation") and shall be submitted by such third institution to each of Heineken and FEMSA within forty-five (45) days of the delivery of the Second Valuation. The Final Valuation will be deemed to be the Relevant Alcoholic Beverages Business Value;

(ii) in the case of any determination of Fair Market Value, (i) each of Heineken and FEMSA shall pay the fees and expenses of any institution it selects from the FMV Institution List and (ii) Heineken and FEMSA shall share equally the fees and expenses of any institution selected from the FMV Institution List to render a Third Valuation; and

(iii) the following internationally recognized investment banks (the "FMV Institution List") may be selected from time to time for purposes of determining Fair Market Value: Allen & Co., Credit Suisse and Banco Bilbao Vizcaya Argentaria, S.A.

(i) Until the second anniversary of the Closing Date, FEMSA shall not and shall causes its Affiliates to not solicit, recruit or hire any person who at any time on or after the date of this Agreement is a Company Group Employee (as hereinafter defined); provided, that the foregoing shall not prohibit (i) a general solicitation to the public of general advertising or similar methods of solicitation by search firms not specifically directed at Company Group Employees or (ii) FEMSA or any of its Affiliates from soliciting, recruiting or hiring any Company Group Employee who has ceased to be employed or retained by the Company, the Heineken Parties or any of their respective Affiliates for at least 12 months. For purposes of this Section 6.18, "Company Group Employees" means, collectively, officers, directors and senior or managerial executives of the Company, Heineken, Heineken Holding and their respective Affiliates; provided that the Company Group Employees listed on Schedule 6.18(c) hereto shall not be subject of the restrictive covenants contained in this Section 6.18(c).

(j) The FEMSA Parties acknowledge that the covenants of FEMSA set forth in this Section 6.18 are an essential element of this Agreement and that any breach by FEMSA or its Affiliates of any provision of this Section 6.18 will result in irreparable injury to the Heineken Parties. The FEMSA Parties acknowledge that in the event of such a breach, in addition to all other remedies available at law, the Heineken Parties shall be entitled to equitable relief, including injunctive relief, and an equitable accounting of all earnings, profits or other benefits arising therefrom, as well as such other damages as may be appropriate. The FEMSA Parties have independently consulted with their respective counsel and after such consultation agree that the covenants set forth in this Section 6.18 are reasonable and proper to protect the legitimate interest of the Heineken Parties.

(k) If a court of competent jurisdiction or arbitral panel determines that the character, duration or geographical scope of the provisions of this Section 6.18 are invalid or unreasonable, it is the intention and the agreement of the Parties that these provisions shall be construed by the court or arbitral panel in such a manner as to impose only those restrictions on FEMSA's conduct that are reasonable in light of the circumstances and as are necessary to assure to the Heineken Parties the benefits of this Agreement. If, in any proceeding, a court or arbitral panel shall refuse to enforce all of the separate covenants of this Section 6.18 because taken together they are more extensive than necessary to assure to the Heineken Parties the intended benefits of this Agreement, it is expressly understood and agreed by the Parties that the provisions hereof that, if eliminated, would permit the remaining separate provisions to be enforced in such proceeding, shall be deemed eliminated, for the purposes of such proceeding, from this Agreement.

6.19 Access to Information.

(a) Upon reasonable notice, subject to applicable antitrust and other Laws, FEMSA shall, and shall cause the Company and each of the Company Subsidiaries to, (i) afford to Heineken and the officers, employees, accountants, counsel and other representatives of Heineken (the "Representatives"), reasonable access during normal business hours during the period from the date hereof to the Closing, to all of the properties, books, contracts, commitments and records of the Company and Company Subsidiaries and during such period, the FEMSA Parties shall, and shall cause the Company and each of the Company Subsidiaries to furnish promptly to Heineken and its Representatives all information concerning the Company's and the Company Subsidiaries' business, assets, properties, liabilities and personnel as Heineken may reasonably request, (ii) permit Heineken and the Representatives to make copies of such books, contracts, commitments, and records (at Heineken's and the Representative's sole expense) and make inspections thereof, (iii) cause the officers of each of the Company and Company Subsidiaries to furnish Heineken and the Representatives with such financial and operating data and other information with respect to the business and properties of the Company and Company Subsidiaries as Heineken and the Representatives may from time to time reasonably request, (iv) permit representatives of Heineken to be present at each facility of the Company and Company Subsidiaries and to observe the conduct of the business at any time during normal business hours, and (v) afford Heineken and its Representatives reasonable access during normal business hours during the period from the date hereof to the Closing, to the officers and employees of the Company and the Company Subsidiaries, for the purpose of negotiating post-closing arrangements and providing information concerning the Company's business, assets, properties, liabilities and personnel, provided, however, that any such access shall be conducted at Heineken's expense, at a reasonable time, under the supervision of the personnel of FEMSA, the Company or any of its Subsidiaries and in such a manner as to maintain the confidentiality of this Agreement and the transactions contemplated hereby and not to interfere with the normal operations of the business of FEMSA, the Company or its Subsidiaries. Notwithstanding anything contained in this or any other agreement between the Heineken Parties and FEMSA executed prior to the date hereof, nothing herein shall require either FEMSA, the Company or any Company Subsidiary to disclose any information to any Heineken Party if such disclosure would in FEMSA's reasonable determination (i) cause significant competitive harm to the Company or its Affiliates if the transactions contemplated by this Agreement are not consummated, (ii) jeopardize any attorney-client or other legal privilege or (iii) contravene any applicable Law, fiduciary duty or binding agreement (including any confidentiality agreement to which FEMSA, the Company or any Affiliate of either is a party).

ARTICLE VII

CONDITIONS

7.1 Conditions to Each Party's Obligation to Effect the Closing. The obligation of each Party to consummate the Closing shall be subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

(a) Statutes; Court Orders. No Law shall have been enacted or promulgated by any Governmental Entity in Mexico, The Netherlands, the United States which prohibits the consummation of the Closing. There shall be no injunction, decree, ruling or order of a court of competent jurisdiction in Mexico, The Netherlands, or in the United States in effect precluding consummation of the Closing.

(b) Antitrust Approval. The waiting period or relevant authorization or clearance required for the Closing under the HSR Act and the relevant authorization or clearance required for the Closing under the Mexican Antitrust Law and each other applicable Law relating to competition or antitrust promulgated, enacted or enforced by a Governmental Entity in any applicable jurisdiction, if any, shall have expired, been terminated or been obtained, as appropriate, if the effect of consummation of the Closing before such expiration or termination, or before such authorization, would be a violation of any applicable Law.

(c) The transactions contemplated by this Agreement shall have been duly approved by the Mexican Foreign Investment Commission and written evidence thereof shall have been delivered to the Parties.

(d) Shareholder Approvals. The transactions contemplated by this Agreement shall have been duly approved: (i) at the Heineken Shareholder Meetings by the Heineken Shareholder Approvals and (ii) at the FEMSA Shareholder Meeting by the FEMSA Shareholder Approval.

(e) Closing Payment. The Reference Date Balance Sheet shall have been delivered and the amount of the Heineken Closing Payment or FEMSA Closing Payment, as the case may be, shall have been determined in accordance with Section 2.2.

7.2 Conditions to Obligations of the Heineken Parties to Effect the Closing. The obligation of the Heineken Parties to consummate the Closing shall be subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

(a) (i) The representations and warranties of the FEMSA Parties set forth in Section 4.10(a) shall be true and correct both when made and as of the Closing Date and (ii) each of the remaining representations and warranties set forth in this Agreement, disregarding for these purposes any exception in such representations and warranties relating to materiality or a Company Material Adverse Effect, shall be true and correct both when made and as of the Closing Date (except for those representations and warranties which address matters only as of a specified date which shall be true and correct as of such specified date), except for such failures to be true and correct which, individually or in the aggregate, would not reasonably be expected to result in a Company Material Adverse Effect.

(b) The FEMSA Parties shall have performed and complied with, in all material respects, all agreements, covenants and obligations required by this Agreement to be performed or complied with by them prior to or at the Closing.

(c) The FEMSA Parties shall have made each of the deliveries described in Section 3.1(b).

(d) The Heineken Parties shall have received a certificate signed by a senior executive officer of each of the FEMSA Parties, dated as of the Closing Date, to the effect set forth in clauses (a) and (b) of this Section 7.2.

7.3 Conditions to Obligations of the FEMSA Parties to Effect the Closing. The obligations of the FEMSA Parties to consummate the Closing shall be subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

(a) The representations and warranties of the Heineken Parties set forth in this Agreement, disregarding for these purposes any exception in such representations and warranties relating to materiality or a Heineken Material Adverse Effect, shall be true and correct both when made and as of the Closing Date (except for those representations and warranties which address matters only as of a specified date which shall be true and correct as of such specified date), except for such failures to be true and correct which, individually or in the aggregate, would not reasonably be expected to result in a Heineken Material Adverse Effect.

(b) The Heineken Parties shall have performed and complied with, in all material respects, all agreements, covenants and obligations required by this Agreement to be performed or complied with by each of them prior to or at the Closing.

(c) The Heineken Parties shall have made each of the deliveries described in Section 3.1(c).

(d) The FEMSA Parties shall have received a certificate signed by a senior executive officer of each of the Heineken Parties, dated as of the Closing Date, to the effect set forth in clauses (a) and (b) of this Section 7.3.

ARTICLE VIII

TERMINATION

8.1 Termination. The transactions contemplated hereby may be terminated or abandoned at any time prior to the Closing Date:

(a) By the mutual written consent of Heineken and FEMSA;

(b) Subject to each Party's obligation pursuant to Section 6.4, by either Heineken or FEMSA, on written notice to the other Party if any Governmental Entity in Mexico, The Netherlands or the United States shall have issued an order, decree or ruling or taken any other action which permanently restrains, enjoins or otherwise prohibits the Closing and such order, decree, ruling or other action shall have become final and non-appealable;

(c) By either Heineken, or FEMSA, on written notice to the other Party if the Closing shall not have occurred on or prior to the date that is two hundred and seventy (270) days after the date hereof (the "Termination Date"); provided, however, that the right to terminate this Agreement under this Section 8.1(c) shall not be available to any Party whose breach of any provision of this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before the Termination Date; provided, further, that notwithstanding the previous limitation, the Termination Date shall not be extended in perpetuity until such breach is cured, and the non-breaching Party shall be obligated to elect: (x) to close regardless of such breach following a reasonable period of time necessary to cure such breach, or (y) to terminate this Agreement on a date certain to not exceed 12 months from the date hereof, and upon any failure to make such election, this Agreement shall automatically terminate as of the date that is 12 months from the date hereof;

(d) (i) By FEMSA on written notice to Heineken if any of the conditions set forth in Section 7.1 or 7.3 (other than 7.1(d), solely with respect to the FEMSA Shareholder Approval) shall have become incapable of fulfillment and shall not have been waived by FEMSA or (ii) by Heineken on written notice to FEMSA if any of the conditions set forth in Section 7.1 or 7.2 (other than 7.1(d), solely with respect to the Heineken Shareholder Approval) shall have become incapable of fulfillment and shall not have been waived by the Heineken Parties; provided that the right to terminate this Agreement pursuant to this Section 8.1(d) shall not be available if the failure of the Party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of such condition to be satisfied on or prior to such date;

(e) By FEMSA on written notice to Heineken if the Heineken Shareholder Approvals shall not have been obtained at the Heineken Shareholder Meetings;

(f) By Heineken on written notice to FEMSA if the FEMSA Shareholder Approval shall not have been obtained at the FEMSA Shareholder Meeting;

(g) By Heineken on written notice to FEMSA if the FEMSA board of directors shall have withdrawn or modified its recommendation to the FEMSA shareholders to approve at the FEMSA Shareholder Meeting the transactions contemplated by this Agreement, if the FEMSA board of directors has announced an intention to modify or withdraw such recommendation in a manner adverse to the Heineken Parties or if the FEMSA board of directors has endorsed or announced an intention to endorse an Alternative Acquisition Proposal; or

(h) Subject to each Party's obligations in Section 6.4 (including, for the avoidance of doubt, the obligations of the Heineken Parties under Section 6.4(c)), by any Party in the event that any authorization referred to in Section 7.1(b) contains conditions or requires modifications to the terms of this Agreement or any related agreement that materially change the economic value of the transactions contemplated hereby or thereby and after sixty (60) days from receiving notice of such conditions or required modifications from the relevant Governmental Entity, the Parties are unable to agree on amendments to the terms of this Agreement or any such related agreement that overcome or satisfy such conditions or required modifications, provided that, for the avoidance of doubt, no Party shall be obligated to agree to any such amendments.

8.2 Effect of Termination. In the event of the termination of this Agreement in accordance with Section 8.1, this Agreement shall become null and void and of no further force or effect except for Section 6.3, Section 6.5, this Article VIII, Article IX, and Article X. Termination of this Agreement shall not relieve a breaching Party from all breaches of this Agreement that occurred prior to such termination, provided that payment by (i) Heineken of the Heineken Termination Fee pursuant to Section 8.3 shall relieve the Heineken Parties from all breaches (other than willful breaches) of this Agreement by any Heineken Party that resulted in termination of this Agreement by the FEMSA Parties pursuant to Section 8.1(e) and (ii) FEMSA of the FEMSA Termination Fee pursuant to Section 8.3 shall relieve FEMSA from all breaches (other than willful breaches) of this Agreement by FEMSA that resulted in termination of this Agreement by the Heineken Parties pursuant to Section 8.1(f) or Section 8.1(g). In no event shall any Party be liable for punitive damages.

8.3 Termination Fee. (a) (i) In the event this Agreement is terminated by FEMSA pursuant to Section 8.1(e), Heineken shall pay to FEMSA $200,000,000 (the "Termination Fee") in immediately available funds within five (5) Business Days after such termination and (ii) in the event this Agreement is terminated by Heineken pursuant to Section 8.1(f) or Section 8.1(g), FEMSA shall pay to Heineken the Termination Fee in immediately available funds within five (5) Business Days after this Agreement is so terminated.

(b) The Heineken Parties and the FEMSA Parties acknowledge that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, neither the Heineken Parties, on the one hand, nor the FEMSA Parties, on the other hand, would have entered into this Agreement.

ARTICLE IX

INDEMNIFICATION

9.1 Indemnification by the Heineken Parties. (a) From and after the Closing, Heineken (and, upon Heineken's failure to comply with the obligations under this Section 9.1, Heineken Holding) shall save, defend, indemnify and hold harmless any FEMSA Party against any Losses (including, for the avoidance of doubt, any diminution in value resulting from payments made by any Heineken Party pursuant to this Section 9.1), imposed on, sustained, suffered or incurred by any FEMSA Party, whether in respect of Third Party Claims, claims between any of the Parties, or otherwise as a result of, arising out of or relating to:

(i) any breach or inaccuracy of any representation or warranty of any Heineken Party contained in this Agreement; provided, however, that in the case of any such representation or warranty that is limited by "materiality", "Material Adverse Effect", or any similar term or limitation, the amount of Losses shall be determined as if such "materiality," "Material Adverse Effect", or any similar term or limitation were not included therein, provided, however, that, for the avoidance of doubt, the occurrence of a breach or inaccuracy of any such representation or warranty shall be determined taking into account any such terms or limitations; or

(ii) any breach of any covenant or agreement of any Heineken Party contained in this Agreement.

(b) Notwithstanding anything to the contrary herein, the Heineken Parties shall not be required to indemnify the FEMSA Parties pursuant to Section 9.1 unless and only to the extent the aggregate of all Losses for which the Heineken Parties would be liable under Section 9.1 exceeds $50,000,000 (the "Indemnification Deductible") and the maximum aggregate liability of Heineken to the FEMSA Parties for losses under Section 9.1 shall not exceed $800,000,000 (the "Heineken Indemnification Cap"); provided that notwithstanding anything in this Agreement to the contrary, the Heineken Indemnification Cap and the Indemnification Deductible shall not apply to indemnification claims arising from breaches of the Heineken Core Representations, claims arising from breaches under Section 9.1(a)(ii) or any matter constituting fraud.

9.2 Indemnification by the FEMSA Parties. (a) From and after the Closing, the FEMSA Parties shall jointly and severally save, defend, indemnify and hold harmless the Heineken Parties from and against any Losses, imposed on, sustained, suffered or incurred by any Heineken Party (including, whether in respect of Third Party Claims, claims between any of the Parties, or otherwise as a result of, arising out of or relating to:

(i) any breach or inaccuracy of any representation or warranty of any FEMSA Party contained in this Agreement (other than any representation contained in Section 4.17 related to Tax Matters); provided, however, that in the case of any such representation or warranty that is limited by "materiality", "Material Adverse Effect", or any similar term or limitation, the amount of Losses shall be determined as if such "materiality," "Material Adverse Effect", or any similar term or limitation were not included therein, provided, however, that, for the avoidance of doubt, the occurrence of a breach or inaccuracy of any such representation or warranty shall be determined taking into account any such terms or limitations; or

(ii) any breach of any covenant or agreement of any FEMSA Party contained in this Agreement.

(b) From and after the Closing and up to and until 30 days after the expiry of the relevant statute of limitations, the FEMSA Parties shall indemnify the Heineken Parties, the Company and each Company Subsidiary, on a dollar for dollar basis without application of the Indemnification Deductible for all Losses that are attributable to any Taxes that are the responsibility of FEMSA under Section 6.17, for all Restructuring Taxes, and for

any Taxes that are payable by any person to any Governmental Entity in Mexico and that relate to or result from the transfer of the FEMSA Exchange Shares under this Agreement (the "Share Taxes"). Any such Losses attributable to Taxes that are the responsibility of FEMSA under Section 6.17 and are payable to any Governmental Entity in Brazil (the "Brazilian Taxes"), any Restructuring Taxes, and any Share Taxes shall not be subject to the FEMSA Indemnification Cap. Notwithstanding anything to the contrary herein, any such Losses that are attributable to Taxes that are the responsibility of FEMSA under Section 6.17 that are not Brazilian Taxes, Restructuring Taxes or Share Taxes ("Other Taxes") shall not be included in the calculation of aggregate liability for purposes of the FEMSA Indemnification Cap except to the extent that such liability exceeds $300,000,000. For purposes of this Agreement, "Restructuring Taxes" shall mean any and all Losses that are attributable to Taxes relating to or resulting from any change to the capital structure, internal restructuring, or similar transaction of or with respect to FEMSA, the Company, and the Company Subsidiaries occurring in 2009 and in 2010 on or before the Closing Date (including, without limitation, the demerger of the Company on September 1, 2009 and any transaction related thereto),

(c) FEMSA shall not be required to indemnify any Heineken Party pursuant to Sections 9.2 unless and only to the extent the aggregate of all Losses for which FEMSA would otherwise be liable under Section 9.2 exceeds the Indemnification Deductible and the maximum aggregate liability of FEMSA to the Heineken Parties for losses under Section 9.2 shall not exceed $500,000,000 (the "FEMSA Indemnification Cap"); provided that notwithstanding anything in this Agreement to the contrary, (i) the FEMSA Indemnification Cap shall not apply to indemnification claims arising from any breach of the FEMSA Core Representations, claims arising from breaches under Section 9.2(a)(ii), any liability for Brazilian Taxes (including liability pursuant to Section 9.2(b)), any liability for Restructuring Taxes (including liability pursuant to Section 9.2(b)), any liability for Share Taxes (including liability pursuant to Section 9.2(b)), or any matter constituting fraud; and (ii) the Indemnification Deductible shall not apply to indemnification claims arising from any breach of the FEMSA Core Representations, claims arising from breaches under Section 9.2(a)(ii), any claims under Section 6.17 (Tax Matters), any liability for Brazilian Taxes (including liability pursuant to Section 9.2(b)), any liability for Other Taxes (including liability pursuant to Section 9.2(b)), any liability for Restructuring Taxes (including liability pursuant to Section 9.2(b)), any liability for Share Taxes (including liability pursuant to Section 9.2(b)), or any matter constituting fraud.

9.3 Calculation of Losses. (a) The amount of any Loss for which indemnification is provided under this Article IX shall be (i) increased to take account of any net Tax cost incurred by the Indemnified Party resulting from the accrual or receipt of indemnity payments hereunder (grossed up for such increase) and (ii) reduced to take account of any net Tax benefit actually realized by the Indemnified Party arising from the incurrence or payment of any such Loss. Any indemnity payment under this Agreement shall be treated as additional proceeds in exchange for the Indemnified Party's transfer or issuance, as applicable, of shares for Tax purposes, unless a final determination by a Governmental Entity with respect to the Indemnified Party or any of its Affiliates causes any such payment not to be treated as such for Tax purposes.

(b) The amount of any Loss for which indemnification is provided under this Article IX shall be net of (i) any insurance proceeds or other cash receipts or sources of reimbursement in respect of such Loss (after deducting therefrom the amount of expenses incurred by it in procuring such proceeds or reimbursement) and (ii) any amounts actually recovered by the Indemnified Party pursuant to any indemnification by or indemnification agreement with any third party.

(c) Notwithstanding anything to the contrary contained herein, no Party shall be liable to or otherwise responsible to any other Party or any Affiliate of any other Party under this Article IX for consequential, incidental, indirect or punitive damages or for diminution in value (but except as provided by the second parenthetical in Section 9.1(a)) or lost profits that arise out of or relate to this Agreement or the performance or breach hereof.

(d) The FEMSA Parties and the Heineken Parties shall use commercially reasonable efforts to mitigate any Losses for which they (or, as applicable, FEMSA Parties indemnitees or Heineken Parties indemnitees) may seek indemnification hereunder. In respect of any Loss for which an Indemnified Party is entitled to indemnification by a third party pursuant to a written indemnification agreement, such Indemnified Party shall, at the request and expense of the Indemnifying Party, take actions reasonably necessary to enforce rights under such indemnification agreement, including, if the recovery from the indemnitor would exceed $5,000,000, the commencement and prosecution of Proceedings in connection therewith, provided that a material failure to take such actions that adversely affects the FEMSA Parties shall bar the Heineken Parties from exercising their rights under this Article IX with respect to such Loss.

9.4 Procedures. (a) Third Party Claims. In order for a person (the "Indemnified Party") to be entitled to any indemnification against any Losses under Section 9.1 or 9.2 in respect of, arising out of or involving a claim (other than a Tax Claim) made or threatened by any person who is not a Party (or successor to a Party) to this Agreement, against the Indemnified Party (a "Third Party Claim"), such Indemnified Party shall give the Party from whom indemnification is sought (the "Indemnifying Party") a written claim notice relating to such Losses (a "Claim Notice"). The Claim Notice shall be given within thirty (30) Business Days after the Indemnified Party becomes aware of the facts indicating that a claim for indemnification may be warranted and shall state in reasonable detail (to the extent known) the nature and amount of the claim; provided, that the Indemnified Party shall not lose any rights to

any claims pursuant to this Agreement for failure to submit a Claim Notice within such 10-Business Day period to the extent the Indemnifying Party is not materially prejudiced by the failure to timely receive such Claim Notice. Thereafter, the Indemnified Party shall deliver to the Indemnifying Party, within five (5) Business Days' time after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim and provide any other information and any cooperation with respect to such Third Party Claim as the Indemnifying Party may reasonably require.

(b) Assumption. In the event any suit or other legal Proceeding is brought with respect to such a Third Party Claim against an Indemnified Party, the Indemnifying Party shall be entitled to participate in the defense thereof and, if it so chooses, upon reasonable prior notice, to assume the defense thereof with counsel selected by the Indemnifying Party; provided, however, that such counsel is not reasonably objected to by the Indemnified Party. Should the Indemnifying Party so elect to assume the defense of a Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel (not reasonably objected to by the Indemnifying Party), at its own expense, separate from the counsel employed by the Indemnifying Party if representation of both Parties by the same counsel creates a conflict of interest under applicable standards of professional conduct, it being understood that the Indemnifying Party shall control such defense, including the right to control all negotiations, settlements, compromises and appeals of any such claim, all of which shall be at the expense of the Indemnifying Party. In any event, if the Indemnifying Party fails to take reasonable steps necessary to defend diligently the action or Proceeding within 20 days after receiving a Claim Notice with respect to the Third Party Claim, the Indemnified Party may assume such defense, and the fees and expenses of its attorneys will be covered by the indemnity provided for in this Article IX upon determination of the Indemnifying Party's indemnity obligation. If the Indemnifying Party chooses to defend or prosecute a Third Party Claim, all the indemnified Parties shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, provided that a material failure to provide such cooperation by the Indemnified Party shall bar the Indemnified Party from any remedy with respect to such Third Party Claim. Whether or not the Indemnifying Party assumes the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent unless the sole relief granted is equitable relief for which the Indemnifying Party would have no liability and to which the Indemnifying Party would not be subject. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, consent to a settlement, compromise or discharge of, or the entry of any judgment arising from, any Third Party Claim, unless such settlement, compromise or discharge does not involve any finding or admission or any violation of Law or admission of any wrongdoing by the Indemnified Party and involves solely the payment of money and the Indemnifying Party shall (i) pay or cause to be paid all amounts arising out of such settlement

or judgment concurrently with the effectiveness of such settlement, (ii) not encumber any of the assets of any Indemnified Party or agree to any restriction or condition that would apply to or adversely affect any Indemnified Party and (iii) obtain, as a condition of any settlement or other resolution, a complete and unconditional release of each Indemnified Party from any and all liability in respect of such Third Party Claim.

(c) Other Claims. In the event any Indemnified Party should have a claim against any Indemnifying Party under Section 9.1 or Section 9.2 that does not involve a Third Party Claim being asserted against or sought to be collected from such Indemnified Party, the Indemnified Party shall deliver express written notice of such claim (specifying in reasonable detail the basis for the claim and the estimated amount of the claim) with reasonable promptness to the Indemnifying Party. The failure by any Indemnified Party so to notify the Indemnifying Party shall relieve the Indemnifying Party from any liability that it may have to such Indemnified Party under Section 9.1 or Section 9.2 to the extent that the Indemnifying Party has been materially prejudiced by such failure but shall not relieve the Indemnifying Party from any other obligation or liability that it may have to the Indemnified Party or otherwise pursuant to this Article IX.

9.5 Survival of Representations. The representations and warranties and covenants contained in this Agreement shall survive the Closing for fourteen (14) months after the Closing, other than (a) the FEMSA Core Representations and the Heineken Core Representations, which shall survive the Closing and remain in full force and effect indefinitely, (b) the representations and warranties in Section 4.19 (Environmental Matters), which shall survive the Closing and remain in full force and effect until the second anniversary of the Closing Date and (c) the representations and warranties in Section 4.17 (Tax Matters), which shall not survive the Closing and (ii) the covenants and agreements contained herein shall survive the Closing without limitation (except for those which by their terms contemplate a shorter survival time) until fully discharged and this Section 9.5 shall not limit any covenant or agreement of the Parties that contemplates performance after the Closing.

9.6 Remedies Not Affected by Knowledge. If the transactions contemplated hereby are consummated, the Parties expressly reserves the right to seek indemnity or other remedy for any Losses arising out of or relating to any breach of any representation, warranty or covenant contained herein, notwithstanding any investigation by or knowledge of such Party in respect of any fact or circumstances that reveals the occurrence of any such breach, whether before or after the execution and delivery hereof, provided that this Section 9.6 shall not apply to any fact or circumstance disclosed in the FEMSA Disclosure Materials or the Heineken Disclosure Materials.

9.7 Exclusive Remedy. Except as otherwise provided in Section 6.17, after the Closing Date, the remedies provided in this Article IX shall be exclusive and shall preclude assertion by an Indemnified Party of any other rights or the seeking of any and all other remedies against an Indemnifying Party for claims based on, arising out of or related to this Agreement, whether arising in contract, tort or otherwise; provided that the foregoing shall not preclude a Party from seeking specific performance or other equitable relief in relation to or under Sections 6.4, 6.16, 6.18 or Section 10.8. For the avoidance of doubt, any indemnification by the FEMSA Parties for Tax Matters shall be governed exclusively by Section 6.17 and Section 9.2 (subject to Section 9.3). Notwithstanding the foregoing, the Parties shall retain all rights, claims and causes of action arising from another Party’s fraud, intentional misrepresentation of fact or intentional misconduct.

ARTICLE X

MISCELLANEOUS

10.1 Fees and Expenses. All costs and expenses incurred in connection with this Agreement and the consummation of the Closing shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

10.2 Amendment and Modification. This Agreement may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by all of the Parties hereto expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

10.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if mailed, delivered personally, telecopied (which is confirmed) or sent by an overnight courier service, such as Federal Express, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

if to Heineken Holding, to:

Heineken Holding N.V.
Tweede Weteringplantsoen 5
1017 ZD Amsterdam
The Netherlands
Attention: Raad Van Beheer
Telephone: +31 20 622 1152
Telecopy: +31 20 625 2213

if to Heineken, to:

Heineken N.V.
Tweede Weteringplantsoen 21
1017 ZD Amsterdam
The Netherlands
Attention: Director Group Legal Affairs
Telephone: +31 20 5239 280
Telecopy: +31 20 627 9684

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166
Attention: Stephan H. Haimo, Esq.
Telephone: +1 212 351-3810
Telecopy: +1 212 351-5321

and

if to the FEMSA Parties, to:

Fomento Económico Mexicano, S.A. de C. V.
General Anaya No. 601 Pte.
Colonia Bella Vista
64410 Monterrey N.L.
Mexico
Attention: Carlos E. Aldrete Ancira, Esq.
Telephone: +52-8183 286180
Telecopy: +52-8183 286181

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, NY 10006
Attention: Jaime El Koury, Esq.
Telephone: +1 212 225-2570
Telecopy: +1 212 225-3999

10.4 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the Parties and delivered to the other Parties.

10.5 Entire Agreement; No Third Party Beneficiaries. (a) This Agreement, the Corporate Governance Agreement, the Transaction Documents, the Heineken Voting Agreements, the FEMSA Control Trust Voting Agreement and the Confidentiality Agreement (a) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof and thereof and (b) are not intended to confer upon any Person other than the Parties hereto and thereto (and their permitted successors and assigns) any rights or remedies hereunder.

(b) THE PARTIES HERETO ACKNOWLEDGE AND AGREE THAT NO REPRESENTATION, WARRANTY, PROMISE, INDUCEMENT, UNDERSTANDING, COVENANT OR AGREEMENT HAS BEEN MADE OR RELIED UPON BY ANY PARTY

HERETO OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT, THE RELATIONSHIP AGREEMENT, THE TRANSACTION DOCUMENTS, THE HEINEKEN VOTING AGREEMENTS, THE FEMSA CONTROL TRUST VOTING AGREEMENT AND THE CONFIDENTIALITY AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE DISCLAIMER SET FORTH IN THE PRECEDING SENTENCE, NO PARTY NOR ANY OF ITS AFFILIATES HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATIONS OR WARRANTIES, IN ANY PRESENTATION OR WRITTEN INFORMATION GIVEN OR TO BE GIVEN IN CONNECTION WITH THE CONTEMPLATED TRANSACTIONS, OR IN ANY FILING MADE OR TO BE MADE BY OR ON BEHALF OF SUCH PARTY OR ANY OF ITS AFFILIATES WITH ANY GOVERNMENTAL AUTHORITY, AND NO STATEMENT MADE IN ANY SUCH PRESENTATION OR WRITTEN MATERIALS, MADE IN ANY SUCH FILING OR CONTAINED IN ANY SUCH OTHER INFORMATION SHALL BE DEEMED A REPRESENTATION OR WARRANTY HEREUNDER OR OTHERWISE. EACH PARTY ACKNOWLEDGES THAT THE OTHER PARTY HAS INFORMED IT THAT NO PERSON HAS BEEN AUTHORIZED BY SUCH PARTY OR ANY OF ITS AFFILIATES TO MAKE ANY REPRESENTATION OR WARRANTY IN CONNECTION WITH THE CONTEMPLATED TRANSACTIONS.

10.6 Severability. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

10.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflicts of law thereof.

10.8 Jurisdiction; Specific Performance. (a) Any controversy, claim or dispute between the Parties arising from or in connection with this Agreement or any Transaction Document, including but not limited to the existence, validity, intent, interpretation, performance, enforcement or arbitrability of any of the terms contained herein or therein shall be submitted for final resolution to arbitration under the Rules of Arbitration of the International Chamber of Commerce ("ICC" and "ICC Rules") before an arbitration tribunal consisting of three arbitrators. FEMSA, on the one hand, and the Heineken Parties jointly, on the other hand, shall each appoint one arbitrator pursuant to the ICC Rules, and the third arbitrator, who shall serve as chairman of the arbitration tribunal, shall be appointed by the two arbitrators so chosen within thirty days of confirmation of their appointment. The place of arbitration shall be in New York, New York, and all arbitration proceedings shall be conducted in the English language. The costs of arbitration shall be apportioned by the tribunal in the arbitration award. This

Section 10.8 shall not limit the jurisdiction of the Accounting Arbitrator as set forth in Section 2.2(c), although claims may be asserted in the arbitral proceedings described in this Section 10.8 for purposes of enforcing the jurisdiction of the Accounting Arbitrator.

(b) By agreeing to ICC arbitration and its pre-arbitral referee procedure, the Parties do not intend to deprive any court of competent jurisdiction of its ability to issue any form of provisional remedy, including but not limited to a preliminary injunction or attachment in aid of the arbitration, or order any interim or conservatory measure. A request for such provisional remedy or interim or conservatory measure by a Party to a court shall not be deemed a waiver of the agreement to ICC arbitration and its pre-arbitral referee procedure. A request for such provisional remedy or interim or conservatory measure by a Party to a pre-arbitral referee shall not be deemed a waiver of the agreement to ICC arbitration or the agreement to allow a court of competent jurisdiction to issue provisional remedies or interim or conservatory measures.

(c) When a party to a Transaction Document or the Corporate Governance Agreement submits a Request for Arbitration (as defined in the ICC Rules) in connection with a legal relationship in respect of which arbitration proceedings between the parties to the same or another Transaction Document or the Corporate Governance Agreement are already pending under the ICC Rules (an "Already Pending Proceeding"), any party to such Transaction Document or the Corporate Governance Agreement may request that the claims contained in the Request for Arbitration (the "New Claims") be included in the Already Pending Proceeding. If a party to a Transaction Document or the Corporate Governance Agreement makes such a request before the Terms of Reference (as defined in the ICC Rules) have been signed or approved by the ICC in the Already Pending Proceeding, pursuant to Article 4(6) of the ICC Rules, the ICC shall determine whether to include the New Claims in the Already Pending Proceeding. If a party to a Transaction Document or the Corporate Governance Agreement makes such a request after the Terms of Reference in the Already Pending Proceeding have been signed or approved by the ICC, pursuant to Article 19 of the ICC Rules, the arbitration tribunal in the Already Pending Proceeding shall determine whether to include the New Claims in the Already Pending Proceeding. For the avoidance of doubt, two or more arbitration proceedings may be consolidated in accordance with this Section 10.8(c) under Articles 4(6) or 19 of the ICC Rules, even if the parties to such arbitration proceedings are not identical. Any Party to this Agreement shall have the right to recourse to and shall be bound by the pre-arbitral referee procedure of the ICC in accordance with its Rules for a Pre-Arbitral Referee Procedure.

(d) In addition to any discovery permitted under the ICC Rules, each Party shall produce relevant, non-privileged documents or copies thereof requested by another Party within the time limits set by the arbitration tribunal. With respect to such document discovery, the arbitration tribunal shall be guided by the IBA Rules on the Taking of Evidence in International Commercial Arbitration.

10.9 Extension; Waiver. At any time prior to the Closing Date, either Party hereto may extend the time for the performance of any of the obligations or other acts of the other Party. Any agreement on the part of a Party to any such extension shall be valid only if set forth in an instrument in writing signed by or on behalf of such Party. The failure of either Party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

10.10 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be transferred by either Party (whether by operation of law or otherwise) without the prior written consent of the other Party, provided that the FEMSA Parties may designate one or more of their Affiliates to be the transferee(s) of the Heineken Exchange Shares, the Heineken Holding Exchange Shares and/or the Allotted Shares pursuant to Section 2.1. Any transfer of any rights, interests or obligations hereunder in violation of this Section shall be null and void.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement or caused this Agreement to be executed by their respective directors or officers thereunto duly authorized as of the date first written above.

HEINEKEN HOLDING N.V.

By /s/ Charlene L. de Carvalho-Heineken
Name: Charlene L. de Carvalho-Heineken
Title: Member of the Board of Directors

HEINEKEN N.V.

By /s/ D.R. Hooft Graafland
Name: D.R. Hooft Graafland
Title: Chief Financial Officer

COMPAÑÍA INTERNACIONAL DE BEBIDAS, S.A. DE C.V.

By /s/ Carlos Eduardo Aldrete Ancira
Name: Carlos Eduardo Aldrete Ancira
Title: General Counsel

GRUPO INDUSTRIAL EMPREX, S.A. DE C.V.

By /s/ Carlos Eduardo Aldrete Ancira
Name: Carlos Eduardo Aldrete Ancira
Title: General Counsel

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V.

By /s/ Carlos Eduardo Aldrete Ancira
Name: Carlos Eduardo Aldrete Ancira
Title: General Counsel

Annex 1

Knowledge of Heineken

1. Jean François van Boxmeer
2. René Hooft Graafland
3. Steven van Maasakker
4. Floris van Woerkom
5. Robin Hoytema van Konijnenburg
6. Marc Gross
7. Willem Kortenoever
8. Niels van Popta
9. Hemmo Parson
10. Marc Koster
11. Bauke Appel

Exhibit 1.3

FIRST AMENDMENT TO SHARE EXCHANGE AGREEMENT

This First Amendment to Share Exchange Agreement (this "Amendment") is made as of March 10, 2010, by and between Heineken Holding N.V., a *naamloze vennootschap* ("Heineken Holding"); Heineken N.V., a *naamloze vennootschap* ("Heineken", together with Heineken Holding, the "Heineken Parties"), Fomento Económico Mexicano, S.A.B. de C.V., a legal entity incorporated under the laws of Mexico ("FEMSA"), Compañía Internacional de Bebidas, S.A. de C.V., a legal entity incorporated under the laws of Mexico ("Compañía Internacional de Bebidas") and Grupo Industrial Emprex, S.A. de C.V., a legal entity incorporated under the laws of Mexico ("Grupo Industrial", together with FEMSA and Compañía Internacional de Bebidas, the "FEMSA Parties").

RECITALS

A. The Heineken Parties and the FEMSA Parties are party to that certain Share Exchange Agreement, dated as of January 11, 2010 (the "Agreement"), pursuant to which the Heineken Parties are acquiring 100% of the outstanding capital stock of Emprex Cerveza S.A. de C.V. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Agreement.

B. Section 10.2 of the Agreement provides that the Agreement may be modified only by a written instrument signed by each of the Parties thereto.

C. The Heineken Parties and the FEMSA Parties intend to amend Section 6.13(d) and 6.14(a) of the Agreement as more particularly set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENTS

1. Amendments.

A. The following language shall be deleted from Section 6.13(d) of the Agreement, after the words "FEMSA shall, as soon as reasonably practicable" and before the words "and in accordance with all applicable filings and Laws":

"after the condition set forth in Section 7.1(b) is satisfied"

B. The following language shall be deleted from the first sentence of Section 6.14(a) of the Agreement, after the words "following the approvals by the Heineken board of directors and supervisory board":

"and the day after the FEMSA Information Statement has been cleared for public distribution by the CNBV, as applicable"

Additionally, the following language shall be added to the first sentence of Section 6.14(a) of the Agreement after the words “as soon as reasonable practicable”:

“, in the case of the Heineken Parties”

2. No Other Changes. Except as expressly amended pursuant to this Amendment, the remaining terms of the Agreement remain in full force and effect in accordance with their terms. This Amendment may be executed in counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party. This Amendment may be executed by facsimile signature and a facsimile signature shall constitute an original for all purposes.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have executed this Amendment or caused this Amendment to be executed by their respective directors or officers thereunto duly authorized as of the date first written above.

HEINEKEN HOLDING N.V.

By /s/ Charlene L. de Carvalho-Heineken
Name: Charlene L. de Carvalho-Heineken
Title: Member of the Board of Directors

By /s/ Maarten Das
Name: Maarten Das
Title: Member of the Board of Directors

HEINEKEN N.V.

By /s/ D.R. Hooft Graafland
Name: D.R. Hooft Graafland
Title: Chief Financial Officer

By /s/ Hemmo Parson
Name: Hemmo Parson
Title: Senior Legal Counsel

COMPAÑÍA INTERNACIONAL DE BEBIDAS, S.A. DE C.V.

By /s/ Carlos Eduardo Aldrete Ancira
Name: Carlos Eduardo Aldrete Ancira
Title: General Counsel

GRUPO INDUSTRIAL EMPREX, S.A. DE C.V.

By /s/ Carlos Eduardo Aldrete Ancira

Name: Carlos Eduardo Aldrete Ancira

Title: General Counsel

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V.

By /s/ Carlos Eduardo Aldrete Ancira

Name: Carlos Eduardo Aldrete Ancira

Title: General Counsel

Exhibit 1.4

CORPORATE GOVERNANCE AGREEMENT

---

relating to

HEINEKEN HOLDING N.V.

and

HEINEKEN N.V.

between

HEINEKEN HOLDING N.V.

HEINEKEN N.V.

L'ARCHE GREEN N.V.

CB EQUITY LLP
and

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V.

30 April 2010

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THIS CORPORATE GOVERNANCE AGREEMENT (the "**Agreement**") is dated 30 April 2010 and made by and between:

1. **HEINEKEN HOLDING N.V.**, a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its place of business at Tweede Weteringplantsoen 5, 1017 ZD Amsterdam, the Netherlands ("**Holding**");

2. **HEINEKEN N.V.**, a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its place of business at Tweede Weteringplantsoen 21, 1017 ZD Amsterdam, the Netherlands ("**HNV**");

3. **L'ARCHE GREEN N.V.**, a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its place of business at Tweede Weteringplantsoen 5, 1017 ZD Amsterdam, the Netherlands ("**L'Arche Green**");

4. **CB EQUITY LLP**, a legal entity incorporated under the laws of the United Kingdom, having its registered office at The Quadrant, 118 London Road, Kingston, Surrey, KT2 6QJ, United Kingdom;

5. **FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V.**, a legal entity incorporated under the laws of Mexico, having its official seat in Monterrey, Mexico and its place of business at General Anaya 601 Poniente, Colonia Bella Vista, Monterrey, NL 64410, Mexico ("**Femsa**").

The parties mentioned under numbers 1 through 5 are hereinafter also referred to as the "**Parties**" and each of them a "**Party**". The parties mentioned under numbers 1 through 3 are hereinafter also referred to as the "**Heineken Parties**". The parties mentioned under numbers 4 and 5 are hereinafter also referred to as the "**Femsa Parties**".

WHEREAS:

A. On 11 January 2010, HNV, Holding, Femsa, Compañía Internacional de Bebidas, S.A. de C.V. ("Compañía Internacional de Bebidas") and Grupo Industrial Emprex, S.A. de C.V. ("Grupo Industrial") entered into that certain share exchange agreement (the "**Share Exchange Agreement**") pursuant to which they agreed to an international business combination involving the beer business of Femsa.

B. By a letter dated April 14, 2010, Femsa, Compañía Internacional de Bedidas and Grupo Industrial provided notice to HNV and Holding that, pursuant to Section 10.10 of the Share Exchange Agreement, they designated CB EQUITY to be the transferee of the Heineken Exchange Shares, Heineken Holding Holding Exchange Shares and the Allotted Shares, to be delivered pursuant to Section 2.1 of the Share Exchange Agreement.

C. On the date hereof, the Femsa Parties, Compañía Internacional de Bebidas, Grupo Industrial, HNV and Holding have completed and closed the transactions set forth in the Share Exchange Agreement and, as a result of the transactions contemplated therein, HNV has acquired 100% of the share capital of Femsa Beer Subsidiary and the Femsa Parties (through CB EQUITY) have acquired in exchange therefor (i) 43,009,699 newly issued ordinary shares of HNV plus (ii) 29,172,504 Allotted Shares plus (iii) 43,018,320 newly issued ordinary shares of Holding (the "**Transaction**").

D. As a result of the foregoing, the Femsa Parties (through CB EQUITY) hold 7.47% of the HNV Shares (excluding any Allotted Shares) and 14.9% of the Holding Shares.

E. As provided in the Share Exchange Agreement and as a reflection of the interests of Femsa as a major shareholder in HNV and Holding, the Parties have agreed that Femsa shall be entitled to participation in the governance of HNV and Holding on the basis set out in this Agreement, particularly through the appointment of one member to the board of directors (comprising 5 members) of Holding ("**HH-Board of Directors**") and through the appointment of two members to the supervisory board (comprising 10 members) of HNV ("**H-Supervisory Board**").

F. The governance of Holding and HNV is set forth in the articles of association of Holding (the "**HH-Articles**") and the articles of association of HNV (the "**H-Articles**"), copies of which are attached hereto as Schedule 3 and Schedule 4.

DECLARE TO HAVE AGREED AS FOLLOWS:

Clause 1 Interpretation

1.1 In this Agreement, its recitals and Schedules, unless the context otherwise requires, the terms set out in Schedule 1 shall have the meanings given in Schedule 1.

1.2 In this Agreement, its recitals and Schedules, unless indicated to the contrary:

(a) a reference to a Clause or schedule is a reference to a clause of or schedule to this Agreement;

(b) a reference to a document is a reference to that document as from time to time supplemented or varied;

(c) the recitals and Schedules form an integral part of this Agreement;

(d) the headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement;

(e) a reference to a provision of law or applicable regulation shall be construed so as to include a reference to any provision which from time to time, before the date of this Agreement, modified, re-enacted, amended, extended, consolidated or replaced that provision and any subordinate legislation made under any such provision before the date of this Agreement;

(f) words denoting the singular number shall include the plural, the masculine gender shall include the feminine gender and the neuter, and vice versa;

(g) references to a "company" shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established;

(h) references to a "person" shall be construed so as to include any individual, firm, company, government, state or agency of a state, local or municipal authority or governmental body or any trust (including any beneficiary of any trust), joint venture, association, partnership or other organisation of any nature (in each case, whether or not having separate legal personality), and that person's legal personal representatives, successors and lawful assigns; and

(i) where, under the terms of this Agreement, any party accepts an obligation to use "best endeavours" in and towards the fulfilment of any objective or occurrence, the full extent of the party's obligation shall be to take all such lawful steps which a prudent, determined and reasonable person, intent on the fulfilment of such obligation, would take but without incurring any material cost or material liability which is not reasonably proportionate to the benefit intended to be conferred on the other party by the fulfilment of the obligation.

Clause 2 Composition of the H-Supervisory Board

2.1 On 22 April 2010, HNV held and convened a general meeting of shareholders of HNV whereby the shareholders of HNV approved the Transaction in accordance with the H-Articles and article 2:107a of the Dutch Civil Code and voted to appoint two initial Femsa nominees to be members of the H-Supervisory Board (the individuals so appointed and any replacements thereof nominated and appointed in accordance with the provisions of this Agreement, the "**First Femsa H-Representative**", and the "**Second Femsa H-Representative**", and together the "**Femsa H-Representatives**"), with such appointment to be effective simultaneously with the closing of the Transaction. The appointments of the initial Femsa H-Representatives nominated by Femsa (being Mr. José Antonio Fernández Carbajal and Mr. Javier Astaburuaga Sanjines) have been approved by the general meeting of shareholders of HNV in accordance with this Agreement and the H-Articles.

2.2 The number of members of the H-Supervisory Board shall be determined by the H-Supervisory Board. At the date hereof, the H-Supervisory Board consists of ten (10) members and the Femsa H-Representatives shall be two (2) of such ten (10) members.

2.3 For the duration of, and subject to the terms of, this Agreement, Femsa shall be entitled to nominate at least two (2) members for appointment to the H-Supervisory Board, the initial two members being appointed in accordance with Clause 2.1. The Parties acknowledge and agree that the number of H-Supervisory Board members to be nominated by Femsa is based on the assumption that the H-Supervisory Board consists of ten (10) members. Regardless of any increase or decrease in the total number of members of the H-Supervisory Board, and subject to Clause 8 and the remaining

provisions of this Agreement, Femsa shall at all times be entitled to nominate the whole number of members which is closest to two-tenths (20%) of the total number of members of the H-Supervisory Board from time to time provided that Femsa shall at all times be entitled to nominate at least two (2) members.

2.4 So long as Femsa maintains its right to nominate the Femsa H-Representatives in accordance with this Agreement, Holding shall vote all of its HNV Shares in favour of the proposition that (i) a Femsa H-Representative duly qualified and nominated as a member of the H-Supervisory Board pursuant to this Agreement shall be appointed by the general meeting of shareholders of HNV in accordance with such nomination, (ii) the general meeting of shareholders of HNV shall promptly suspend or dismiss a Femsa H-Representative as member of the H-Supervisory Board if a proposal to that effect is made by Femsa and (iii) subject to Clause 2.8, no Femsa H-Representatives shall be suspended or dismissed by the general meeting of shareholders of HNV as a member of the H-Supervisory Board without the approval of Femsa.

2.5 A person can only serve as the First Femsa H-Representative if:

(a) such person is a member of the board of directors of Femsa; and

(b) such person is a party to the Trust Agreement or a Direct Lineal Descendant; and

(c) such person’s profile, expertise and background comply with the profile of a member of the H-Supervisory Board, attached as Annex A to the H-Supervisory Board Regulations; and

(d) such person also serves as the Femsa HH-Representative; and

(e) such person shall undertake to be bound by this Agreement and shall sign a copy thereof as proof of his acceptance thereof, substantially in the form of the Joinder attached hereto as Schedule 10 (the “**Form of Joinder**”).

2.6 A person can only serve as the Second Femsa H-Representative if:

(a) such person is either a member of the board of directors of Femsa or a member of the management team of Femsa (not directly responsible for the management of KOF or Femsa Comercio); and

(b) such person’s profile, expertise and background comply with the profile of a member of the H-Supervisory Board, attached as Annex A to the H-Supervisory Board Regulations; and

(c) such person shall undertake to be bound by this Agreement and shall sign a copy thereof as proof of his acceptance thereof, substantially in the form of the Joinder attached hereto as Schedule 10 (the “**Form of Joinder**”).

2.7 The Parties agree that the initial First Femsa H-Representative will be Mr. José Antonio Fernández Carbajal and the initial Second Femsa H-Representative will be Mr. Javier Astaburuaga Sanjines (such nominations to take effect from the date of this Agreement).

2.8 In the event that (A) a First Femsa H-Representative fails to meet the qualifications of sub (a), (b) and (c) of Clause 2.5, or (B) a Second Femsa H-Representative fails to meet the qualifications of sub (a) and (b) of Clause 2.6, then Femsa shall procure that such Femsa H-Representative shall promptly resign as a member of the H-Supervisory Board and shall nominate a replacement who meets the relevant qualifications of Clauses 2.5 or 2.6, as applicable.

2.9 The First Femsa H-Representative shall be designated as vice-chairman of the H-Supervisory Board.

2.10 Each present member and each new member of the H-Supervisory Board shall sign a Form of Joinder to this Agreement as an acknowledgement that he or she is bound by the provisions hereof and that he or she shall fulfil his or her duties and exercise his or her rights in accordance with the provisions of this Agreement and that he or she shall act in a manner consistent with, and as required to give effect to, the provisions of this Agreement.

2.11 Holding undertakes to act and vote in any general meeting of shareholders of HNV in the manner consistent with, and as required to give effect to, the provisions of this Agreement.

Clause 3 Composition of the HH-Board of Directors

3.1 On 22 April 2010 Holding held and convened a general meeting of shareholders of Holding whereby the shareholders of Holding approved the Transaction in accordance with the HH-Articles and article 2:107a of the Dutch Civil Code and voted to appoint an initial Femsa nominee to be a member of the HH-Board of Directors (an individual so appointed, a "**Femsa HH-Representative**"). The approval described in this Clause 3.1 includes the affirmative support of Holding shareholders Stichting Beheer and Stichting Priores. The appointment of the initial Femsa HH-Representative (being Mr. José Antonio Fernández Carbajal has been approved by the general meeting of shareholders of Holding in accordance with this Agreement and the HH-Articles.

3.2 For the duration of and subject to the terms of this Agreement, Femsa shall be entitled to nominate one (1) member for appointment to the HH-Board of Directors, the initial member being appointed in accordance with Clause 3.1. So long as Femsa maintains its right to nominate the Femsa HH Representative in accordance with this Agreement, L'Arche Green shall vote all of its Holding Shares in favour of the proposition that (i) a Femsa HH-Representative duly qualified and nominated as member of the HH-Board of Directors pursuant to this Agreement shall be appointed by the general meeting of shareholders of Holding in accordance with such nomination, (ii) the general meeting of shareholders of Holding shall promptly suspend or dismiss a Femsa HH-Representative as member of the HH-Board of Directors if a proposal to that effect is made by Femsa and (iii) subject to Clause 3.4, no Femsa HH-Representative shall be suspended or dismissed by the general meeting of shareholders of Holding as a member of the HH-

Board of Directors without the approval of Femsa. Stichting Beheer and Stichting Priores have agreed to give their affirmative support to sub clause (i), (ii) and (iii) of this Clause 3.2 for as long as Femsa maintains its right to nominate the Femsa-HH Representative in accordance with this Agreement.

3.3 A person can only serve as Femsa HH-Representative if such person:

(a) is the First Femsa H-Representative; and

(b) otherwise satisfies the professional and reputational standards to be a member of the HH-Board of Directors as the HH-Board of Directors shall determine in its reasonable judgment.

3.4 In the event that a Femsa HH-Representative fails to meet the qualifications of sub (a) and (b) of Clause 3.3 then Femsa shall procure that such Femsa HH-Representative shall promptly resign as a member of the HH-Board of Directors and shall nominate a replacement who meets the qualifications of Clause 3.3.

3.5 Each present member and each new member of the HH-Board of Directors shall sign a Form of Joinder to this Agreement as an acknowledgement that he or she is bound by the provisions thereof and that he or she shall fulfil his or her duties and exercise his or her rights in accordance with the provisions of this Agreement and that he or she shall act in the manner consistent with, and as required to give effect to, the provisions of this Agreement.

3.6 L'Arche Green undertakes to act and vote in any general meeting of shareholders of Holding in the manner consistent with, and as required to give effect to, the provisions of this Agreement.

Clause 4 H-Supervisory Board Regulations

4.1 The internal rules of procedure of the H-Supervisory Board are set out in the regulations of the H-Supervisory Board, as set out in Schedule 5 to this Agreement (the "**H-Supervisory Board Regulations**").

4.2 Femsa shall use its best endeavours to procure that each Femsa H-Representative in office as a member of the H-Supervisory Board, shall undertake to be bound by the H-Supervisory Board Regulations and, to the extent consistent with the practice of existing board members, shall sign a copy thereof as proof of his acceptance of such regulations. In addition, the Parties agree that each new member of the H-Supervisory Board shall at the time of his appointment sign the H-Supervisory Board Regulations and shall be bound by the provisions thereof and fulfil his duties and exercise his rights in accordance with such H-Supervisory Board Regulations.

Clause 5 Committees

5.1 Any Femsa H-Representative shall not sit on more than three committees of the H-Supervisory Board at the same time.

5.2 For so long as Femsa has the right to nominate two Femsa H-Representatives, Femsa shall be entitled to nominate one Femsa H-Representative as a member of the Selection and Appointment Committee of the H-Supervisory Board, one Femsa H-Representative as a member of the Audit Committee and one Femsa H-Representative as a member of the Americas Committee.

Clause 6 Composition of the Preparatory Committee of the H-Supervisory Board

6.1 From and after the date hereof, the preparatory committee of the H-Supervisory Board (the "**Preparatory Committee**") shall consist of four (4) members, one of whom shall be the First Femsa H-Representative, acting in his position as vice-chairman of the Supervisory Board.

6.2 The internal rules of procedure of the Preparatory Committee are set out in the H-Supervisory Board Regulations and the regulations of the Preparatory Committee, as set out in Schedule 6 to this Agreement (the "**Preparatory Committee Regulations**").

6.3 Femsa shall procure that each successive First Femsa H-Representative who takes up office as a member of the Preparatory Committee shall undertake to be bound by the Preparatory Committee Regulations and shall, to the extent consistent with the practice of existing board members, sign a copy thereof as proof of his acceptance of such regulations. In addition, the Parties agree to procure that each new member of the Preparatory Committee shall at the time of his appointment sign the Preparatory Committee Regulations and shall be bound by the provisions thereof and fulfil his duties and exercise his rights in accordance with such Preparatory Committee Regulations.

Clause 7 Establishment of the Americas Committee

7.1 The H-Supervisory Board has established an "Americas Committee" to oversee the strategic direction of the business of the Heineken Group, assess new business opportunities in the Americas region and delegate particular responsibilities to such committee. Only H-Supervisory Board members shall be members of the Americas Committee.

7.2 As at the date thereof, the Americas Committee consists of three (3) members and the First Femsa H-Representative shall be chairman of the Americas Committee. The Parties agree that the first such chairman will be Mr. José Antonio Fernández Carbajal (such nomination to take effect from the date of this Agreement).

7.3 The internal rules of procedure of the Americas Committee are set out in the regulations of the Americas Committee, a copy of which is attached hereto as Schedule 7 (the "**Americas Committee Regulations**"), which have been adopted by the H-Supervisory Board.

Clause 8 Loss of Nomination Rights

8.1 Femsa shall maintain the right to nominate two members of the H-Supervisory Board and all of its ancillary governance rights in relation to HNV, unless and until any of the following events occur:

(i) Femsa or its Affiliates cease to be the legal or Beneficial Owner of an Economic Interest representing not less than 14% of HNV;

(ii) either Femsa Party fails to be in material compliance with the Principal Terms of this Agreement;

(iii) there is a loss of Control of Femsa by the Voting Trust (including without limitation the termination or a declaration of nullity of the Voting Trust by a competent court) except in circumstances where (A) all of the interests of the Voting Trust in Femsa are acquired by some or all of the Trust Beneficiaries or any vehicle or undertaking which is owned by, or holds its interests in, Femsa exclusively on behalf of some or all of the Trust Beneficiaries or (B) the Trust Beneficiaries otherwise continue to Control Femsa;

(iv) any person other than the Trust Beneficiaries becomes a party to the Trust Agreement or enters into any other arrangement pursuant to which such person holds or shares voting power over any of the shares in Femsa which are subject to the Trust Agreement, unless (A) one or more of the Trust Beneficiaries collectively continue to have the power, directly or indirectly, to control the election of a majority of the directors of Femsa and (B) none of the Trust Beneficiaries has any agreement or arrangement with any such other person (other than a nominee or Trust Beneficiary) the effect of which would be to give such other person the ability to exercise voting power over the shares in Femsa which are subject to the Trust Agreement; or

(v) a Change of Control occurs,

and, subject to Clauses 8.2 and 8.3, upon the occurrence of any event described in subsections (i) through (v) of this Clause 8.1,

(a) Femsa shall procure that the Femsa H-Representatives shall promptly resign as members of the H-Supervisory Board; and

(b) Femsa shall immediately cease to be entitled to nominate any persons for election to the H-Supervisory Board,

provided, however that if:

(A) an event occurs under Clause 8.1(iii) and/or (iv); and/or

(B) a Change of Control occurs in which the person acquiring Control of Femsa, together with any Affiliates of such acquiring person, is not engaged (and does not thereafter become engaged) anywhere in the world in the manufacture of the Heineken Products (as such term is defined in the Share Exchange Agreement), then

Femsa shall maintain the right to appoint one Femsa nominee to be a member of the H-Supervisory Board (being the Second Femsa H-Representative) for so long as Femsa is not in breach of Clauses 8.1(ii) and (iii) and Clause 8.2.

8.2 For so long as the Femsa Parties and/or their Affiliates are the legal or Beneficial Owner of an Economic Interest representing not less than 7% of HNV, Femsa shall maintain the right to nominate one member (and only one member) of the H-Supervisory Board (being the First Femsa H-Representative) and all of its ancillary governance rights in relation to HNV (as set out in Clauses 5-7). The events described in this Clause 8.2 and Clause 8.1(ii) shall apply *mutatis mutandis* with the same ramifications as described in sub (a) and (b) of Clause 8.1.

8.3 If at any time the aggregate shareholdings of the Femsa Parties and/or their Affiliates shall decrease below the threshold set out in Clauses 8.1(i) or 8.2 (as the case may be), Femsa shall have 30 (thirty) Trading Days after the occurrence of such decrease in which to remedy any such decrease and provided that the shareholding is restored to such threshold percentage or more within 30 (thirty) Trading Days after the occurrence of such decrease, Femsa's nomination rights pursuant to Clause 2 and all ancillary governance rights shall be restored and for the purpose of any Clause in this Agreement, Femsa shall be deemed to have retained at all times its right to nominate two members of the H-Supervisory Board and all ancillary governance rights (as set out in Clauses 5-7).

8.4 Femsa shall maintain the right to nominate a member to the HH-Board of Directors unless and until it ceases to have the right to appoint the First Femsa H-Representative under Clauses 8.2 and 8.3. Upon the loss of such right:

(a) Femsa shall procure that the Femsa HH-Representative shall promptly resign as member if the HH Board of Directors; and

(b) Femsa shall immediately cease to be entitled to nominate any persons for election as member on the HH-Board of Directors.

Clause 9 Standstill

9.1 Except as provided in Clause 9.2 and Clause 9.3, the Femsa Parties agree and undertake towards HNV, Holding and L'Arche Green that they shall not, and shall procure that no member of the Femsa Group shall, directly or indirectly, acquire, offer or propose to acquire or agree to acquire, whether by purchase, tender or exchange offer, through the acquisition of control of another person (whether by way of merger, consolidation or otherwise), by joining a partnership, syndicate or other group or otherwise, an Economic Interest of more than 20% in HNV or more than 20% of all outstanding Holding Shares (in each case, such capped percentages to be referred to as a "**Voting Ownership Cap**") and, in relation to HNV, such Voting Ownership Cap

shall be deemed to take account of all HNV Shares held as treasury shares, it being understood that for purposes of this Agreement, such ownership includes ownership by any member of the Femsa Group who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares (i) voting power which includes the power to vote, or to direct the voting of, such security; and/or (ii) investment power which includes the power to dispose, or to direct the disposition, of such security (in either case, "**Beneficial Ownership**"); provided that for purposes of determining Beneficial Ownership, a person shall be deemed to be the Beneficial Owner of any securities which may be acquired by such person pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise.

9.2 If at any time the Femsa Group exceeds the relevant Voting Ownership Cap, then the Femsa Parties shall, as soon as is reasonably practicable (but in no event longer than sixty (60) days after the occurrence of such event), forthwith sell, transfer, assign or otherwise dispose of ("**Transfer**") such number of Shares sufficient to reduce the amount of HNV Shares or Holding Shares owned by them and members of the Femsa Group so as to comply with the applicable Voting Ownership Cap.

9.3 Notwithstanding any other provision of this Agreement, in no event may either Femsa Party or any members of the Femsa Group, directly or indirectly, including through any agreement or arrangement, exercise any voting rights, during the term of this Agreement, in respect of any Shares Beneficially Owned by either of them and any members of the Femsa Group, if and to the extent such shares are in excess of the applicable Voting Ownership Cap.

9.4 Neither Femsa Party shall be considered in breach of this Agreement and the provisions set out in Clauses 9.1 through 9.3 of this Agreement shall not apply:

(a) if as a result of a share buy back programme, repurchase or cancellation of Shares by HNV or Holding, the Femsa Parties and any member of the Femsa Group are in possession of Shares in excess of the applicable Voting Ownership Cap; or

(b) if a Third Party has announced or made an Offer for all of the HNV Shares or Holding Shares not then held by the Third Party or any person acting in concert with the Third Party and which is recommended to the shareholders of HNV by the H-Supervisory Board or to the shareholders of Holding by the HH-Board of Directors and which would (were such Offer to become or be declared unconditional in all respects) result in the Third Party and any person acting in concert with the Third Party in the aggregate owning more than 50% of all issued and outstanding HNV Shares or Holding Shares as the case may be.

Clause 10 Reverse Standstill

The Heineken Parties shall not (and shall procure that no member of the Heineken Group shall) without the written consent of Femsa, directly or indirectly, either alone or acting in concert with others, acquire any interest in any of the securities of Femsa; provided however that the restriction set out in this Clause 10 shall no longer apply if a Third Party Unconnected With HNV makes an Offer for Femsa which, if implemented, would result in a Change of Control.

Clause 11 Restrictions on Transfer

11.1 The right of either Femsa Party and/or any member of the Femsa Group to Transfer their Shares is subject to the restrictions set forth in this Clause 11, and no Transfer of such Shares by a Femsa Party or any member of the Femsa Group may be effected except in compliance with this Clause 11.

11.2 From the date hereof through and including the fifth anniversary of this Agreement, without the prior written consent of HNV and Holding, each Femsa Party shall not, and the Femsa Parties shall procure that any member of the Femsa Group shall not, Transfer, or agree to Transfer, directly or indirectly, any of their Shares; provided that the foregoing restriction shall not at any time be applicable to:

(a) transfers to either Femsa Party or to an Affiliate of Femsa which, in either event, signs a deed of adherence to be bound by this Agreement as fully as if it were an initial signatory hereto; or

(b) transfers from and after the third anniversary of this Agreement provided, however, that the Femsa Parties and/or Femsa's Affiliates shall not Transfer HNV Shares and/or Holding Shares representing more than 1% of all outstanding Shares of each of Holding and HNV in any calendar quarter; or

(c) transfers from and after the third anniversary of this Agreement, in any private block sale outside the facilities of a stock exchange so long as L'Arche Green (as to Holding Shares) or Holding (as to HNV Shares) is first given the opportunity to acquire such shares at the market price thereof upon written notice (the "**Sale Notice**") not less than 30 (thirty) business days prior to the proposed date of sale, in accordance with Clause 11.4; or

(d) pledges or grants of a security interest in any Shares in favour of financial institutions and, in case such security rights would be foreclosed in accordance with their terms and conditions, any Transfers resulting therefrom, provided that:

i. such Transfers are notified in writing to, and acknowledged by, HNV or Holding (as the case may be) and HNV or Holding (as the case may be) undertakes to give such acknowledgement promptly provided that such Transfers are in compliance with the terms of this Clause 11.2(d); and

ii. are made in the context of any arrangement or agreement that is on arm's length terms; and

iii. the Femsa Parties shall grant such security interests only on terms that, in the event of any foreclosure or exercise by such financial institution of such security interest, the financial institution shall ensure any disposals of the Shares are effected via Orderly Market Arrangements; or

(e) any disposal pursuant to an offer by Holding or HNV made generally to the public to (re)purchase Shares; or

(f) any disposal required by law or by any competent authority and which is expressed to be required in relation to the Shares; or

(g) from and after the first anniversary of this Agreement, any disposal required in order to:

i. maintain Femsa's exemption from, or in order for Femsa otherwise not to be subject to, the U.S. Investment Company Act of 1940 ("**40 Act**"), as amended; or

ii. avoid classification as a "passive foreign investment company" ("**PFIC**") within the meaning of Section 1297 of the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder;

in each case subject to such disposals being effected via Orderly Market Arrangements, and provided that Femsa has not failed to use commercially reasonable endeavours to maintain its exemption from the 40 Act or to avoid becoming a PFIC; or

(h) any disposal to ensure that Femsa or its Affiliates (either alone or together with its Affiliates or any person acting in concert with each of them) is not obliged or required to make any mandatory offer to acquire Shares.

11.3 The restrictions set out in Clause 11.2 shall not apply in the event that a Third Party has announced or made an Offer for all of the HNV Shares or Holding Shares, as the case may be, not then held by the Third Party or any person acting in concert with the Third Party and which would (were such Offer to become or be declared unconditional in all respects) result in the Third Party and any person acting in concert with the Third Party in the aggregate owning more than 50% of all HNV Shares or Holding Shares, as the case may be.

11.4 In the event of any sale contemplated under Clause 11.2(c) hereof, the applicable Femsa Party shall give the Sale Notice stating its bona fide intention to sell such Holding Shares and/or HNV Shares and the number of such Shares to be so sold and:

(a) within twenty (20) days after receipt of a Sale Notice, any Heineken Party may elect to purchase or otherwise acquire, all or any portion of the Shares described in the Sale Notice. The price at which the Heineken Parties may purchase or otherwise acquire such Shares shall be the average of the Volume Weighted Average Prices of the relevant Shares, as applicable, for the seven consecutive Trading Day period ending on the Trading Day immediately preceding the date of the Sale Notice, and shall be paid in Euro; and

(b) if all the Shares described in the Sale Notice are not elected to be purchased by the Heineken Parties as provided above, the applicable Femsa Party and/or any member of the Femsa Group may, during the sixty (60) day period following the expiration of the period to elect to purchase the Shares described in Clause 11.4(a), offer and sell the remaining portion of the Shares to any person in a private block sale as described in Clause 11.2(c). If the applicable Femsa Party and/or any member of the Femsa Group do not sell the remaining Shares within such sixty (60) day period, the rights provided to the Heineken Parties hereunder shall be deemed to be revived and any sale of Shares by the Femsa Parties and/or any member of the Femsa Group shall not be permitted except in accordance with this Clause 11.4.

11.5 Following the third anniversary of the date of this Agreement, Femsa shall be permitted to dividend or distribute to its shareholders any Holding Shares and/or HNV Shares without the prior written consent of Holding or HNV. Upon any such distribution which results in the Voting Trust being the legal or Beneficial Owner of an Economic Interest representing 7% or more of HNV and the Voting Trust entering into a deed of adherence to be bound to this Agreement as fully as if it were an initial signatory hereto, the Voting Trust shall be vested in all of the rights of Femsa to appoint the First Femsa H-Representative, who shall be appointed as member of the H-Supervisory Board and a member of the HH-Board of Directors. The Voting Trust shall maintain the right to nominate the First Femsa H-Representative and all of the governance rights in relation to HNV ancillary thereto, unless and until any of the following events occur:

(a) the Voting Trust ceases to be the legal or Beneficial Owner of an Economic Interest representing 7% or more of HNV; or

(b) the Voting Trust fails to be in material compliance with the Principal Terms of this Agreement (via the deed of adherence); or

(c) the Voting Trust is terminated, dissolved or declared null by a competent court or otherwise, except in circumstances where (A) all of the interests of the Trust in HNV are acquired by some or all of the Trust Beneficiaries or any vehicle or undertaking which is owned by, or holds its interests in the HNV Shares exclusively on behalf of some or all of the Trust Beneficiaries, or (B) the Trust Beneficiaries otherwise continue to control the exercise of the votes of at least 67% of the Shares previously held by the Voting Trust; or

(d) any person other than the Trust Beneficiaries becomes a party to the Trust Agreement or enters into any other arrangement pursuant to which such person holds or shares voting power over any of the HNV Shares unless one or more of the Trust Beneficiaries continue(s) to control the exercise of the votes of at least 67% of the Shares held by the Voting Trust.

11.6 Each of HNV and Holding (as the case may be) undertakes to maintain the exemption from registration under Rule 12g3-2b of the U.S. Securities Exchange Act 1934, as amended, if they continue to be eligible therefor, unless either HNV or Holding elect to become subject to the periodic reporting or other informational requirements under the U.S Securities Exchange Act 1934, as amended, in which case it will file reports and other information required thereunder with the U.S Securities and Exchange Commission.

11.7 If at any future date Femsa determines, subject to the terms of this Agreement, to dividend or distribute any of the Shares then HNV and Holding shall at the request of Femsa discuss the provision of reasonable assistance to Femsa in connection with compliance with any regulatory requirements of such dividend or distribution and HNV and Holding shall provide the reasonable assistance but this shall not require HNV or Holding to become subject to the registration, reporting or listing requirements of any jurisdiction or stock exchange.

Clause 12 Femsa Anti-Dilution Rights

12.1 From the date of this Agreement, if Holding or HNV determines to issue any Shares for cash, it shall, unless Femsa otherwise gives its prior written consent, offer to the Femsa Parties the right to subscribe, on the same terms, including as to timing, as others to whom such Shares are offered for subscription, for such number of those Shares as is equal to the Femsa Parties' percentage shareholding in Holding or HNV (as the case may be) immediately prior to such issue, provided that in the event that the total number of Shares to be offered to the Femsa Parties includes a fraction, such number shall be rounded up to the nearest whole number.

12.2 The provisions of Clause 12.1 shall not apply in relation to:

(a) any issue of Shares for a consideration other than cash (other than an issue of Shares in exchange for the shares of a vehicle the assets of which comprise substantially cash); or

(b) the grant of options or awards under any share incentive schemes and the issue of Shares pursuant to the exercise of rights or grant of awards under such schemes; or

(c) the issue of Shares to directors on the boards of Holding and/or HNV pursuant to their terms of appointment.

12.3 If any mandatory merger or other regulatory clearances are required in any relevant jurisdiction before either Femsa Party (or any of their Affiliates) can obtain the benefit of any provision of this Clause 12 Holding and HNV shall, within the constraints of its timetable for the relevant issue, use all reasonable endeavours to obtain, and shall provide Femsa (or any of its Affiliates) with all reasonable assistance in obtaining, such mandatory merger or other regulatory clearances.

12.4 Neither Holding nor HNV shall propose or recommend or vote in favour of or otherwise support any amendment to (i) the HH-Articles or (ii) the H-Articles, the H-Supervisory Board Regulations, the Americas Committee Regulations or the Preparatory Committee Regulations respectively which would be inconsistent with, or in violation of, any of the provisions of this Agreement.

Clause 13 [deliberately blank]

Clause 14 Non-Solicit

Until the second anniversary of the date of this Agreement, HNV shall not and shall procure that its Affiliates shall not solicit, recruit or hire any person who at any time on or after the date of this Agreement is a Femsa Group Employee (as hereinafter defined); provided, that the foregoing shall not prohibit (i) a general solicitation to the public of general advertising or similar methods of solicitation by search firms not specifically directed at Femsa Group Employees or (ii) HNV or any of its Affiliates from soliciting, recruiting or hiring any Femsa Group Employee who has ceased to be employed or retained by Femsa, or any of its Affiliates for at least 12 months, except as provided in the Ancillary Agreements (as defined in the Share Exchange Agreement). For purposes of this Clause 14, "**Femsa Group Employees**" means, collectively, officers, directors and senior or managerial executives of Femsa and its Affiliates, excluding the Femsa Beer Subsidiary and its Subsidiaries.

Clause 15 Term

At such time as Femsa and the Voting Trust cease to have the right to nominate any Femsa H-Representatives or Femsa HH-Representative, then:

(a) without prejudice to Clause 8.3, Femsa or the Voting Trust (as the case may be) shall, if so requested by HNV or Holding respectively, procure forthwith the resignation of the Femsa H-Representative(s) or Femsa HH-Representative (as the case may be) from the H-Supervisory Board and the HH-Board of Directors, respectively; and

(b) Clauses 9, 18 and 20 shall continue in effect for the periods stated therein and if no period is stated for as long as Femsa and its Affiliates own any HNV Shares, and all other provisions of this Agreement shall cease to be of any effect, provided that Clause 11 shall also continue in effect for the period stated therein if Femsa and the Voting Trust ceases to have the right to nominate any Femsa H- Representatives or Femsa HH-Representative solely as a result of being in breach of Clause 8.1(ii).

Clause 16 Representations and Warranties

16.1 Each Femsa Party, hereby represents and warrants as follows:

(a) Authorization; Enforceability. Such Femsa Party has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement have been duly authorized by all necessary action on the part of such Femsa Party, to the extent required by such Femsa Party. This Agreement constitutes the legal, valid and binding obligation of such Femsa Party, enforceable against such Femsa Party in accordance with its terms.

(b) No Conflicts, Consents.

1. The execution, delivery and performance by such Femsa Party of this Agreement does not and will not: (i) conflict with or violate the certificate of incorporation or bylaws or equivalent organizational documents of such Femsa Party; (ii) conflict with or violate any law applicable to such Femsa Party or by which any property or asset of such Femsa Party is bound or affected; or (iii) result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under or require any consent of or notice to any person pursuant to any note, bond, mortgage, indenture, agreement, lease, license, permit, franchise, instrument, obligation or other contract to which such Femsa Party is a party or by which such Femsa Party or any of its properties, assets or rights are bound or affected.

2. Except as otherwise contemplated under the Share Exchange Agreement, such Femsa Party is not required to file, seek or obtain any notice, authorization, approval, order, permit or consent of or with any governmental authority in connection with the execution, delivery and performance by Femsa of this Agreement.

16.2 Each Heineken Party, severally and not jointly, represents and warrants as follows:

(a) Authorization; Enforceability. Such Heineken Party has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement have been duly authorized by all necessary action on the part of such Heineken Party, to the extent required by such Heineken Party. This Agreement constitutes the legal, valid and binding obligation of such Heineken Party, enforceable against such Heineken Party in accordance with its terms.

(b) No Conflicts, Consents.

1. The execution, delivery and performance by such Heineken Party of this Agreement does not and will not: (i) conflict with or violate the certificate of incorporation or bylaws or equivalent organizational documents of such Heineken Party; (ii) conflict with or violate any law applicable to such Heineken Party or by which any property or asset such Heineken Party bound or affected; or (iii) result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under or require any consent of or notice to any Person pursuant to any note, bond, mortgage, indenture, agreement, lease, license, permit, franchise, instrument, obligation or other contract to which such Heineken Party is a party or by which such Heineken Party or any of its properties, assets or rights are bound or affected.

2. Except as otherwise contemplated under the Share Exchange Agreement, such Heineken Party is not required to file, seek or obtain any notice, authorization, approval, order, permit or consent of or with any governmental authority in connection with the execution, delivery and performance by such Heineken Party of this Agreement.

Clause 17 Information

17.1 Each Femsa Party, on the one hand, and Holding and HNV, on the other hand, will supply to the other such information as is reasonably required by the other for accounting, tax, disclosure or other purposes at such times as required to comply with regulatory requirements or as reasonably requested by the other (it being understood in the case of information requested by the Femsa Parties or Holding or HNV that such other information shall be in the form reasonably determined by a Femsa Party or Holding or HNV (as the case may be)) to be appropriate in the circumstances taking into account the purpose for which such Femsa Party or Holding or HNV requires the information. Notwithstanding the foregoing, HNV and Holding shall not be required to supply information requested by a Femsa Party that, in the reasonable opinion of Holding or HNV, as the case may be, or the reasonable opinion of their respective legal counsel, (i) qualifies as "inside information" within the meaning of the Dutch Act on Financial Supervision ("**DFSA**") or (ii) the supply of which would be in breach of article 5:57 of the DFSA.

17.2 Subject to Clause 17.1, Femsa shall have the right to receive copies of the following:

(a) the notice and description of any arrangements between L'Arche Green and Holding on the one hand and HNV and any members of the Heineken Group on the other hand; and

(b) the information set out in Schedule 9;

and the Parties will discuss in good faith the manner in which Femsa will receive the information it requires to reconcile HNV and Holding's financial information for the financial year 2010 with Mexican GAAP for the purposes of its own financial reporting for that financial year.

17.3 Each of the Femsa H-Representatives and the Femsa HH-Representative understands and acknowledges that his ability to communicate any information acquired by him in his capacity as a board member in relation to Holding or HNV and any members of the Heineken Group to Femsa or any Affiliate of Femsa (as the case may be) is subject always (i) the limitation of article 5:57 of the DFSA and (ii) there being no ponderous interest within the meaning of article 2:107 of the Dutch Civil Code of HNV or Holding, as the case may be, against such communication and always provided that Femsa or such Affiliate observes its duty of confidentiality under Clause 18. A protocol shall implement the provisions of this Clause 17.3 and detail when and to what extent the Femsa H-Representatives and the Femsa HH-Representative can share information with Femsa in accordance with the provisions of this Clause 17.3, their fiduciary duties as a board member of Holding or HNV and their duty of confidentiality contained in Clause 18.3. As soon as practicable following the Closing Date, the Parties shall enter into good faith negotiations to agree upon such protocol.

17.4 Holding and HNV shall supply to Femsa (i) as soon as available, their audited consolidated financial statements for each financial year and their consolidated financial statements for each semi-annual period (including a quarterly breakdown) and (ii) at the same time as they are dispatched, all documents made available to their shareholders (or any class of them) or their creditors generally. For the avoidance of doubt, Holding and HNV acknowledge that Femsa may be required to make filings with regulatory authorities in the United States and Mexico that include such audited consolidated financial statements and will cooperate with Femsa, at Femsa's expense, in (1) providing Femsa reasonable assistance in connection with any required reconciliation of such statements and (2) obtaining any consents from their auditors in connection with such filings.

Clause 18 Confidentiality

18.1 Subject to Clause 18.2, the Parties shall not disclose to any person the fact that they have entered into this Agreement, or any of its terms, conditions or other facts related to this Agreement and shall keep confidential all information of a confidential nature regarding the business and financial affairs of the Heineken Group or the Femsa Group (including for the avoidance of doubt, information provided under Clause 17 and/or Schedule 9).

18.2 Each Party shall be entitled to disclose confidential information relating to the Heineken Group or the Femsa Group, as applicable, (including, without limitation, information supplied to it pursuant to Clause 17 and/or Schedule 9):

(a) to any of its officers, employees, auditors, bankers or professional advisers, whose position makes it necessary or desirable to know that information in order to assist Femsa or HNV or Holding, as applicable; provided that the recipient thereof agrees to be bound by the same duty of confidentiality as applies to the disclosing Party and that such Party shall be responsible for any breach of confidentiality by such recipient; or

(b) if such information has ceased to be confidential as a result of having become public without breach of this Agreement or any other duty of confidentiality relating to that information of which the relevant Party was aware; or

(c) as may be required by law, rules or regulations or by any relevant securities exchange or governmental authority, regulatory body or antitrust authority to which Femsa or HNV or Holding is subject (wherever situated), including information required to be disclosed in any shareholder circular, or for tax or accounting purposes, whether or not the requirement for disclosure of such information has the force of law; or

(d) as may be required for the purpose of any arbitral or judicial proceedings arising out of this Agreement or the Related Agreements; or

(e) with the consent of the board of directors of the other Party,

18.3 Subject to Clause 18.4, the Parties acknowledge that in accordance with applicable law and regulations, all members of the HH-Board of Directors and the H-Supervisory Board shall treat all information and documentation acquired in connection with their service or position as a member of the HH-Board of Directors or the H-Supervisory Board, as the case may be, with the necessary discretion and, in the case of confidential information, with appropriate confidentiality. Except as permitted to the Femsa H-Representatives and the Femsa HH-Representative under Clause 17.3, confidential information shall not be disclosed by any such member outside the HH-Board of Directors or the H-Supervisory Board, made public or otherwise made available to third parties, even after resignation from the HH-Board of Directors or the H-Supervisory Board, unless such confidential information can be disclosed by any Party pursuant to Clause 18.2.

18.4 Without prejudice to Clause 17.3, the Parties furthermore acknowledge that, in the course of the performance of their respective duties as members of the HH-Board of Directors or the H-Supervisory Board, the Femsa HH-Representative and the Femsa H-Representatives may acquire competitively or commercially sensitive information regarding the business of HNV and that, in order to safeguard such competitively or commercially sensitive information the HH-Board of Directors and the H-Supervisory Board may implement such procedures and screens as they shall in their reasonable judgment upon the advice of legal counsel deem reasonably necessary.

Clause 19 Miscellaneous

19.1 Immediately after the date hereof, the following documents shall, insofar as necessary, be amended in order to give effect to the agreements set out in this Agreement:

(a) the H-Articles; and

(b) the H-Supervisory Board Regulations; and

(c) the Preparatory Committee Regulations; and

(d) the HH-Articles; and

(e) the Americas Committee Regulations.

19.2 HNV and Holding undertake towards Femsa to take all actions that are necessary or that would help to ensure that the composition of the HH-Board of Directors, the H-Supervisory Board, the Preparatory Committee and the Americas Committee shall be in accordance with the terms and conditions set out in this Agreement and that this Agreement is otherwise implemented in full upon closing of the Transaction.

19.3 In the event of a conflict between the provisions of this Agreement, the HH-Articles and the H-Articles (and any other document in connection with the Transaction), all Parties shall use their best endeavours to procure that the HH-Articles and the H-Articles will be amended to reflect the contents of this Agreement to the extent permitted under the laws of the Netherlands.

19.4 So long as each Femsa Party is in compliance with the terms of this Agreement, HNV, Holding and L'Arche Green shall procure that without the approval of the Femsa HH-Representative or the Femsa H-Representative, as applicable, neither the HH-Articles nor the H-Articles shall be amended in a manner that would adversely affect or diminish the rights of Femsa under this Agreement.

19.5 Each Party waives any rights that it may have under article 6:228, article 6:265 or article 6:230 of the Dutch Civil Code or otherwise, to rescind (*ontbinden*), to annul (*vernietigen*) to amend (*wijzigen*) or to terminate (*opzeggen*) this Agreement in whole or in part.

19.6 Neither this Agreement nor any of the rights, interests or obligations under it may be assigned by any of the Parties hereto (whether by operation of law or otherwise) without the prior written consent of the other Parties hereto. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the Parties to this Agreement and their respective successors and permitted assigns.

19.7 Nothing in this Agreement, express or implied, is intended to or shall confer upon any person other than the Parties and their respective successors and permitted assigns any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement.

19.8 The delivery of fully executed counterparts of this Agreement by each Femsa Party (and any assignee of Femsa pursuant to Section 10.10 of the Share Exchange Agreement) and each Heineken Party shall be a condition to the closing of the Transaction under the Share Exchange Agreement. Unless and until the closing of the Transaction under the Share Exchange Agreement, this Agreement shall be without any force or effect.

19.9 The Parties agree that irreparable damage would occur in the event any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance (*nakoming*) of the terms hereof, in addition to any other remedy at law or equity.

19.10 For the avoidance of doubt, the Parties hereby confirm that the scope of this Agreement is limited to only those matters expressly provided for herein and that the purpose of the Agreement is for HNV and Holding to allow Femsa participation in the governance of Holding and HNV on the basis set out in this Agreement and in consideration for Femsa's willingness to combine its beer business with that of HNV in exchange for Shares in accordance with the Share Exchange Agreement and the other transaction documents pursuant thereto. The Parties hereby confirm that other than the obligation of L'Arche Green or Holding, as the case may be, to support the appointment and functioning of the Femsa H-Representatives and the Femsa HH-Representative in accordance with the terms of this Agreement, this Agreement does not have as its scope or purpose, and does not contain any provisions that would:

(a) give either Femsa Party or the Femsa Group any right or control or influence or consultation right or other form of cooperation with L'Arche Green or Holding as to the way L'Arche Green or Holding exercise their governance rights in relation to Holding or HNV;

(b) limit L’Arche Green or Holding in exercising all rights attached to their Holding Shares or HNV Shares or taking all other strategic and other steps in relation to Holding or HNV independently and at their sole discretion and without any requirement to consult or cooperate with anyone such as Femsa or the Femsa Group and nothing in this Agreement shall restrict the powers of L’Arche Green or Holding in this respect;

(c) give L’Arche Green or Holding any right or control or influence or other form of cooperation with Femsa or the Femsa Group as to the way Femsa or the Femsa Group will exercise the voting rights attached to their Holding Shares or HNV Shares or as to how the Femsa H-Representatives or the Femsa HH-Representative will perform their duties;

(d) limit Femsa or the Femsa Group in exercising all voting rights attached to their Holding Shares or HNV Shares independently and at their sole discretion and without any requirement to consult or cooperate with anyone such as L’Arche Green or Holding and nothing in this Agreement shall restrict the powers of Femsa or the Femsa Group in this respect; or

(e) create a cooperation among the Parties with the objective that Femsa or the Femsa Group, or any of Femsa and Holding or Femsa and L’Arche Green acting jointly will acquire any preponderant influence (*overwegende zeggenschap*) within the meaning of the DFSA over HNV or Holding.

Clause 20 Governing law and jurisdiction

20.1 This Agreement and the rights and obligations of the Parties hereunder shall be governed by and interpreted exclusively in accordance with the laws of the Netherlands.

20.2 All disputes in connection with this Agreement shall be finally settled by arbitration in accordance with the Commercial Rules of Arbitration of the International Chamber of Commerce (the “**Arbitral Rules**”). The arbitral tribunal shall be composed of three arbitrators, one appointed by the Heineken Parties and one appointed by Femsa, in accordance with the Arbitral Rules. The place of arbitration shall New York, N.Y., United States of America. The language of the arbitration will be English. The arbitrators shall make their award according to the rules of law. The costs of arbitration shall be split equally between Femsa, on the one hand, and the Heineken Parties, on the other hand, or as otherwise apportioned in the arbitration award. Judgement upon the award may be entered in any court having jurisdiction thereof.

20.3 Nothing in this Agreement shall preclude any Party from obtaining interim relief from an authorised court of law. Each of HNV and Holding hereby irrevocably and unconditionally authorise Femsa in accordance with article 2:346 under c of the Dutch Civil Code to initiate inquiry proceedings before the Enterprise Chamber (*Ondernemingskamer*) of the Court of Appeal in Amsterdam, the Netherlands.

In witness whereof this Agreement was executed by the Parties on the date first above written,

/s/ Helene S. Cohen

CB Equity LLP

By: Helene S. Cohen

In witness whereof this Agreement was executed by the Parties on the date first above written,

/s/ Carlos Eduardo Aldrete Ancira

Fomento Económico Mexicano, S.A.B. de C.V.

By: Carlos Eduardo Aldrete Ancira

In witness whereof this Agreement was executed by the Parties on the date first above written,

/s/ J.F.M.L. van Boxmeer	/s/ D.R. Hooft Graafland
Heineken N.V.	**Heineken N.V.**
By: J.F.M.L. van Boxmeer	By: D.R. Hooft Graafland

In witness whereof this Agreement was executed by the Parties on the date first above written,

/s/ C.L. de Carvalho	/s/ M. Das
Heineken Holding N.V.	**Heineken Holding N.V.**
By: C.L. de Carvalho	By: M. Das

In witness whereof this Agreement was executed by the Parties on the date first above written,

/s/ M. Das

L'Arche Green N.V.
By: M. Das

Schedule 1 – Definitions

“Affiliate”	means with respect to any person, any person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, but in the context of Femsa shall not include the Coca Cola company and shall include the Voting Trust and the Trust Beneficiaries. For the purposes of this definition, “control” and “controlled”, when used with respect to any person, means that such person and persons acting together with such person have the right, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, to exercise or control the exercise of more than 50% of the votes of equity holders in that entity;
“Agreement”	means this agreement and all of its Schedules;
“Allotted Share Delivery Instrument”	means the Allotted Share delivery agreement by and between HNV, Femsa and CB Equity LLP, to be entered into on the date of this Agreement;
“Allotted Shares”	means the shares of HNV which remain from time to time undelivered under the Allotted Share Delivery Instrument;
“Americas Committee”	means a committee of the H-Supervisory Board that has been, *inter alia*, established to oversee the strategic direction of the business of the Heineken Group;
“Americas Committee Regulations”	means the internal rules of procedure of the Americas Committee as set out in Schedule 7;
“Arbitral rules”	has the meaning ascribed to it in Clause 20.2;
“Beneficial Owner”	means the holder of Beneficial Ownership;
“Beneficial Ownership”	has the meaning ascribed to it in Clause 9.1;
“Change of Control”	means any person and persons acting in concert with such person acquiring Control of Femsa including but not limited to by means of tender offers (*ofertas públicas de compra*), provided however that a transfer of Control from one Affiliate of Femsa to another shall not constitute a Change of Control;
“Closing”	has the meaning given in the Share Exchange Agreement;

“Control” means in relation to Femsa:

(a) direct or indirect ownership of more than 50% of the B shares in Femsa or any class of securities having the power to elect a majority of the Board of Directors of Femsa; or

(b) the right, directly or indirectly, to exercise or control the exercise of more than 50% of the votes of the B shares in Femsa or any class of securities of Femsa having the power to elect a majority of the Board of Directors of Femsa;

“Controlling Families” means the Garza Laguera Gonda family, the Calderon Rojas family, the Bailleres family, the Garza Garza family, the Michel Suberville family, the Guichard Michel family and the David Michel family;

“DFSA” has the meaning ascribed to in Clause 17.1;

“Direct Lineal Descendants” means the direct lineal descendants of the Controlling Families and spouses of such direct lineal descendants, together with the parents of the members of the Controlling Families;

“Economic Interest” means an economic interest in HNV (whether direct or indirect (including via a shareholding in Holding)), which shall be deemed for the purposes of this calculation to include any Allotted Shares, and in relation to such Allotted Shares on the assumption that (i) such Allotted Shares will be existing (and not newly issued) HNV Shares and (ii) that any shares that have been settled in cash pursuant to the Allotted Share Delivery Instrument shall be deemed to be held by Femsa;

“Financial Information” has the meaning ascribed to it in Clause 17.2;

“First Femsa H-Representative” has the meaning ascribed to it in Clause 2.1;

“Femsa” means a legal entity incorporated under the laws of Mexico, having its official seat in Monterrey, Mexico and its place of business at General Anaya 601 Poniente, Colonia Bella Vista, Monterrey, NL 64410, Mexico;

“Femsa Beer Subsidiary” means Emprex Cerveza, S.A de C.V.;

“Femsa Group” means the Femsa Parties and their Subsidiaries;

“Femsa Group Employees” has the meaning ascribed to it in Clause 14;

“Femsa H-Representative”	means the First Femsa H-Representative or the Second Femsa H-Representative, as the case may be;
“Femsa HH-Representative”	has the meaning ascribed to it in Clause 3.1;
“Femsa Parties”	means Femsa and CB EQUITY LLP.
“H-Articles”	means the articles of association of HNV;
“HH-Articles”	means the articles of association of Holding;
“HH-Board of Directors”	means the board of directors of Holding;
“H-Supervisory Board”	means the supervisory board of HNV;
“H-Supervisory Board Regulations”	means the internal rules of procedure of the H-Supervisory Board as set out in Schedule 5;
“Holding”	means a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its place of business at Tweede Weteringplantsoen 5, 1017 ZD Amsterdam, the Netherlands;
“Holding Shares”	means any and all issued and outstanding ordinary shares in the share capital of Holding;
“Heineken Group”	means HNV and Holding and their respective Subsidiaries, including the Femsa Beer Subsidiary;
“Heineken Parties”	means Holding, HNV and L’Arche Green;
“HNV”	means a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its place of business at Tweede Weteringplantsoen 21, 1017 ZD Amsterdam, the Netherlands;
“HNV Shares”	means any and all issued and outstanding ordinary shares in the share capital of HNV;
“L’Arche Green”	means a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its place of business at Tweede Weteringplantsoen 5, 1017 ZD Amsterdam, the Netherlands;
“Offer”	means a public takeover bid for the Shares in accordance with the provisions of the DFSA;

"Orderly Market Arrangements"	means any sale of Shares through the facilities of a stock exchange on which either the HNV Shares or the Holding Shares are listed through a broker to be nominated by HNV or Holding;
"Party"	means a party to this Agreement;
"Preparatory Committee"	means the preparatory committee of the H-Supervisory Board;
"Preparatory Committee Regulations"	means the internal rules of the Preparatory Committee;
"Principal Terms"	means the terms and provisions set forth in Clauses 2.8, 3.4, 8.1(a), 9 and 11 of this Agreement;
"Second Femsa H-Representative"	has the meaning ascribed to it in Clause 2.1;
"Sale Notice"	has the meaning ascribed to it in Clause 11.2(c);
"Shares"	means HNV Shares and/or Holding Shares as the case may be;
"Share Exchange Agreement"	has the meaning ascribed to it in recital A;
"Subsidiary"	means, with respect to any person, any corporation or other organization, whether incorporated or unincorporated, of which (a) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such person or by any one or more of its Subsidiaries, or by such person and one or more of its Subsidiaries or (b) such person or any other Subsidiary of such person is a general partner (excluding any such partnership where such Person or any Subsidiary of such person does not have a majority of the voting interest in such partnership);
"Third Party Unconnected With HNV"	means any person unconnected with, not acting in accordance with the directions of, or not acting pursuant to an arrangement or understanding with, HNV or Holding or any member of the Heineken Group or any person acting in concert with HNV or Holding or any member of the Heineken Group;
"Third Party"	means any person unconnected with, not acting in accordance with the directions of, or not acting pursuant to an arrangement or understanding with, Femsa or any person acting in concert with Femsa;

“Trading Days”	means any day on which Euronext Amsterdam is open for trading (but shall not include any such day where Femsa would be prohibited from dealing by any law or regulation);
“Transaction”	has the meaning ascribed to it in recital C;
“Transfer”	has the meaning ascribed to it in Clause 9.2;
“Trust Agreement”	means the Trust Agreement dated as of 8 August 2005 and entered into by Banco Invex, S.A. Institucion de Banca Multiple, Invex Grupo Financiero as trustee and the Trust Beneficiaries;
“Trust Beneficiaries”	means the parties to the Trust Agreement who are “Fideicomitentes-Fideicomisarios” at the date of this Agreement and persons who become parties to the Trust Agreement by virtue of being: (i) Direct Lineal Descendants, including any trusts of which such persons are the sole beneficiaries and (any companies controlled, directly or indirectly, by such persons); or (ii) Trust Successors; or (iii) Trust Company Successors;
“Trust Company Successors”	means (i) any company that succeeds to or acquires the business or assets of a company that is a party, from time to time, to the Trust Agreement; or (ii) the shareholders from time to time of such a company;
“Trust Successors”	means (i) any trust, company or entity that succeeds to or acquires the assets of a trust that is a party, from time to time, to the Trust Agreement; or (ii) the beneficiaries of such a trust or any entity acting on their behalf;
“Volume Weighted Average Price”	means, on any date, the volume weighted average sale price per Holding Share or HNV Share, as applicable, on such date on Euronext Amsterdam;
“Voting Ownership Cap”	has the meaning ascribed to it in Clause 9.1;
“Voting Trust”	means the voting trust established pursuant to the Trust Agreement.

Schedule 2 – [deliberately blank]

Schedule 3 – HH-Articles

Schedule 4 – H-Articles

Schedule 5 – H-Supervisory Board Regulations

Schedule 6 – Preparatory Committee Regulations

Schedule 7 – Americas Committee Regulations

REGULATIONS (Terms of Reference) AMERICAS COMMITTEE OF THE SUPERVISORY BOARD

General

These regulations set forth the composition, attributions and rules of governance of the Americas Committee of the Supervisory Board of Heineken N.V. These regulations and the composition of the Americas Committee shall be posted on the company's website. The Supervisory Board's report in the Annual Report shall describe the composition of the Americas Committee, the number of meetings it held during the year as well as the principal subjects discussed.

The members of the Americas Committee shall act in compliance with the Dutch Corporate Governance Code of December 2008, the Supervisory Board regulations, the Articles of Association and all applicable laws.

As a Committee of the Supervisory Board, the Americas Committee shall act by delegation of the Supervisory Board with respect to the matters described below which are entrusted to the Committee. It shall recommend to the Supervisory Board such action as it deems appropriate. Any action taken by the Committee shall be deemed to constitute an act of the Supervisory Board.

Article 1 Composition

1. The Americas Committee ('the Committee') shall be composed of three members designated by the Supervisory Board from among its members.
2. The Committee shall be chaired by the 'First Femsa H-Representative'.

Article 2 Oversight Responsibilities

1. The Committee shall exercise oversight responsibility over the following activities of the Executive Board as they relate to the Americas Region:
    a. The overall strategic direction of the business of the Company, including as reflected in the preparation and execution of the Company's annual and pluri-annual business plans;
    b. The periodic review and evaluation of the Company's financial and operating performance;
    c. The periodic review and monitoring of the Company's organization and management, including transition and succession planning;
    d. The review, evaluation and monitoring of growth and development opportunities of the Company, in particular strategic acquisitions and partnerships;

e. Such other matters concerning the Company's markets, business operations, business relations, governmental and public affairs as the Committee shall see fit and proper or as shall be referred by the Executive Board from time to time.

2. The Americas Committee shall periodically report on its activities, findings and recommendations to the Supervisory Board but in no event less frequently than every 6 months.
3. The Committee shall have the ability and power to seek information from management and independent auditors of the Company and its subsidiaries in respect of the matter as to which it has oversight as it deems necessary or desirable to perform its duties. Such requests shall be made to the Chairman of the Executive Board.
4. The out-of–pocket reasonable expenses of the Committee and its members incurred in connection with their activities shall be advanced or promptly reimbursed by the Company in accordance with its business expense guidelines and policies in effect from time to time.

Article 3 Meetings/ Resolutions

1. The Committee meets at least twice a year or more if requested by one of its members or the Chairman of the Executive Board. Meetings shall be held in Amsterdam, New York or any other place as deemed convenient by the members. The language of the meetings shall be in English, unless all members prefer another language. Minutes shall be drafted in the English language.
2. The Committee shall decide whether the Chairman of the Executive Board and the Regional President Americas attends.
3. The Committee takes decisions by unanimous vote of the members present. Valid decisions can only be taken in a meeting attended by at least two members of the Committee, one of them the Chairman.
4. Subject to written consent of all members of the Committee, the Committee may take decisions by unanimous written consent.
5. If it should appear that the Committee is unable to take a decision with the required unanimous vote or written approval, its Chairman shall inform the Supervisory Board.
6. The Committee is supported by the Company secretary, whose tasks shall include at least the following:

   i. to timely convene the meetings;

   ii. to send the members the agenda and the pertaining appendices, one week prior to the meeting;

   iii. to take minutes of the meetings; the minutes are adopted at the next meeting;

iv. to dispatch the draft minutes and/or the adopted minutes of the meeting to the members of both Executive Board and the Supervisory Board (as soon as possible).

These regulations have been adopted by the Supervisory Board in its meeting on 22 February 2010 and are applicable as from the same date.

Schedule 8 – [deliberately blank]

Schedule 9 – Further Information to be provided

For so long as the Femsa Parties or their Subsidiaries are the record and Beneficial Owners of an Economic Interest representing not less than 7% of HNV, Holding and HNV shall provide to the Femsa Parties (at the sole cost and expense of Femsa) such information relating to HNV, Holding and such number of the Subsidiaries of HNV and Holding as is required for the Femsa Parties to obtain a tax credit under Mexican tax law in an amount equal to the lesser of (a) the amount necessary to offset the Femsa Parties' Mexican tax liability on the dividends received from HNV and Holding, and (b) 30% of the Femsa Parties' direct and indirect share of all taxes of HNV and its Subsidiaries for any financial year; provided that, in relation to any extraordinary dividend (being any one-off dividend paid in addition to HNV's or Holding's ordinary course dividends) HNV and/or Holding will, if requested by Femsa, use its reasonable efforts to provide the Femsa Parties (at the sole cost and expense of Femsa) with such additional information to offset the Femsa Parties' Mexican tax liability on such extraordinary dividend. The Femsa Parties' share of all taxes of HNV and its Subsidiaries shall be based on the Femsa Parties' direct and indirect ownership of the entity paying such taxes. The information to be reasonably requested from HNV and Holding may include the following:

1. Documentation setting forth dividends distributed and received by Holding, HNV and their Subsidiaries, including any income tax withheld from such dividend distributions and the corporate income tax paid corresponding to the profits that were distributed, but only to the extent such distributions, amounts withheld, and taxes paid will permit the Femsa Parties to claim a tax credit under Mexican tax law with respect to the dividends paid to the Femsa Parties by Holding and HNV.

2. Documentation that sets forth the direct and indirect ownership of HNV in the stock of the entities whose tax payments are relevant to the tax credits claimed.

3. Copies of the annual income tax returns of the entities whose tax payments are relevant to the tax credits claimed for the tax years in which the relevant dividends are distributed.

4. Financial documentation (e.g., bank account statements, wire transfers confirmations, deposit slips) showing the payment of the income tax for which a tax credit is being sought.

5. If applicable, copies of certificates of income tax withholdings of any dividend payments.

6. Copies of shareholders meeting minutes or other documents under applicable law establishing that the relevant dividends have been approved.

Holding and HNV shall take such actions as may be reasonably requested by the Femsa Parties (but at the sole cost and expense of Femsa) to authenticate or certify any such documents.

Schedule 10 – Form of Joinder

FORM OF JOINDER TO CORPORATE GOVERNANCE AGREEMENT

Reference is hereby made to the Corporate Governance Agreement, dated [30 April, 2010], (the "**CGA**") by and between Heineken Holding N.V., a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, Heineken N.V., a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, L'Arche Green N.V., a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, CB Equity LLP, a legal entity incorporated under the laws of the United Kingdom and Fomento Económico Mexicano, S.A.B. de C.V., a legal entity incorporated under the laws of Mexico. Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the CGA.

The undersigned is, or desires to become, a member of the H-Supervisory Board and therefore agrees as follows:

1. Agreement to be Bound. Pursuant to and as required by Clause 2.10 of the CGA (and Clause 2.5(e) or Clause 2.6(c) of the CGA, as applicable), the undersigned hereby agrees that upon execution of this joinder, he or she shall become bound by the provisions of the CGA and that he or she shall fulfill his or her duties and exercise his or her rights in accordance with the provisions of the CGA and that he or she shall act in a manner consistent with, and as required to give effect to, the provisions of the CGA.

2. Governing Law. This joinder and any rights and obligations created hereunder shall be governed by and interpreted exclusively in accordance with the laws of the Netherlands.

IN WITNESS WHEREOF, the undersigned has executed this joinder as of the date indicated below.

MEMBER OF H-SUPERVISORY BOARD

By: ______________________________

Name:

Date:

Exhibit 8.1

Significant Subsidiaries

The following table sets forth our significant subsidiaries as of April 30, 2010:

Name of Company	Jurisdiction of Establishment	Percentage Owned
CIBSA	Mexico	100.0%
Coca-Cola FEMSA[1]	Mexico	53.7%
Propimex, S.A. de C.V.	Mexico	53.7%
Controladora Interamericana de Bebidas, S.A. de C.V.	Mexico	53.7%
Coca-Cola FEMSA de Venezuela, S.A. (formerly, Panamco Venezuela, S.A. de C.V.)	Venezuela	53.7%
Spal Industria Brasileira de Bebidas, S.A.	Brazil	52.5%
FEMSA Comercio	Mexico	100.0%

(1) Percentage of capital stock. FEMSA owns 63.0% of the capital stock with full voting rights.

Exhibit 12.1

Certification

I, José Antonio Fernández Carbajal, certify that:

1. I have reviewed this annual report on Form 20-F of Fomento Económico Mexicano, S.A.B de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 25, 2010

/s/ José Antonio Fernández Carbajal

José Antonio Fernández Carbajal
Chief Executive Officer

Certification

I, Javier Astaburuaga Sanjines, certify that:

1. I have reviewed this annual report on Form 20-F of Fomento Económico Mexicano, S.A.B. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 25, 2010

/s/ Javier Astaburuaga Sanjines
Javier Astaburuaga Sanjines
Chief Financial Officer

Exhibit 13.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Fomento Económico Mexicano, S.A.B d e C.V. (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2009 (the “Form 20-F”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2010	/s/ José Antonio Fernández Carbajal
	José Antonio Fernández Carbajal Chief Executive Officer
Date: June 25, 2010	/s/ Javier Astaburuaga Sanjines
	Javier Astaburuaga Sanjines Chief Financial Officer