



A Balanced Strategy for

Growth

FEMSA

2008 Annual Report

A Balanced Competitive Position

We are operating in a rapidly changing economic environment. It is a time for caution. It is a time for confidence.

Although our customers are becoming increasingly careful across all of our markets, we enjoy a stronger competitive position in more markets than ever before. For a long time, we have invested heavily behind our brands and behind our position in the marketplace. Our integrated beverage platform, combined with our business units, gives us the flexibility to deploy our resources and adjust our strategy consistent with the markets' trajectory. We have a proactive, committed management team, skilled employees, and an understanding of our consumers' ever-evolving needs and wants.

We are confident about what we must do. And, we have done it before. We are up for the challenge. We expect it will make us stronger than ever.



Our integrated beverage platform, innovative marketplace execution, and talented management team combine to create a strong competitive position now and into the future.

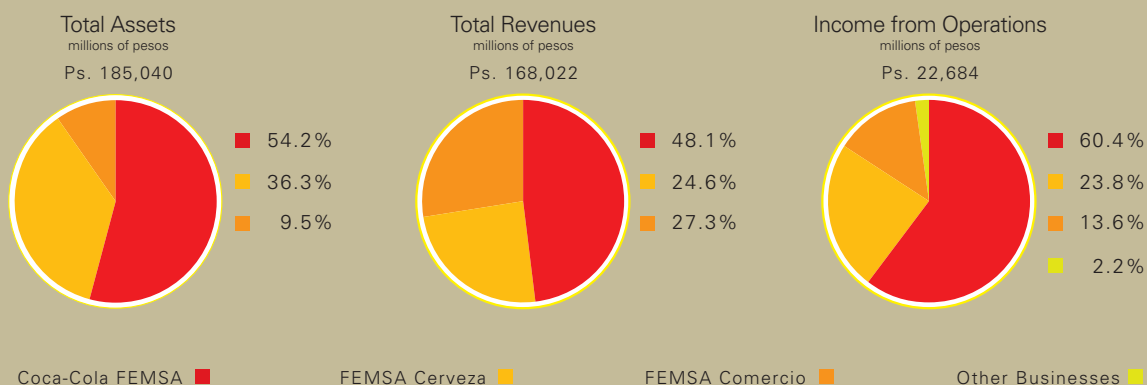
Financial Highlights

Millions of Pesos	2008 ⁽²⁾	2007	% Change	2006	% Change
Total revenues	Ps. 168,022	Ps. 147,556	13.9	Ps. 136,120	8.4
Income from operations	22,684	19,736	14.9	18,637	5.9
Net income	9,278	11,936	(22.3)	9,860	21.1
Net majority income	6,708	8,511	(21.2)	7,127	19.4
Net minority income	2,570	3,425	(25.0)	2,733	25.3
Total assets	185,040	165,795	11.6	154,516	7.3
Total liabilities	88,145	76,142	15.8	76,308	(0.2)
Stockholders' equity	96,895	89,653	8.1	78,208	14.6
Capital expenditures	14,234	11,257	26.4	9,422	19.5
Book value per share ⁽¹⁾	3.85	3.61	6.7	3.17	13.9
Net income per share ⁽¹⁾	0.38	0.48	(20.8)	0.40	20.0
Personnel ⁽³⁾	122,981⁽³⁾	105,020	17.1	97,770	7.4

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

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

(3) 2008 figure includes third-party employees from FEMSA Cerveza.



Dear Shareholder:



José Antonio Fernández Carbajal

2008 was a challenging year for businesses across geographies and industries. Latin American markets were no exception. Yet, amid an increasingly volatile economic environment, we were able to produce solid consolidated results, improve our competitive position, and extend our track record of growth. Over the past decade, our integrated business platform has combined to produce consistently positive results. We have grown our total revenue, income from operations, and operating cash flow (EBITDA) at compounded annual rates of 13 percent, 11 percent, and 10 percent in US dollar terms, respectively.

For the full year, our total revenue rose 14 percent to Ps. 168 billion (US\$12 billion). Our income from operations grew 15 percent to almost Ps. 22.7 billion (US\$1.6 billion). Our net income declined 22 percent to Ps. 9.3 billion (US\$0.7 billion). Our earnings per unit were Ps. 1.87 (US\$1.36 per ADR); this decline largely reflected the devaluation of our local currencies versus the US dollar and changes in accounting principles in Mexico.

Even against an increasingly adverse economic environment, our operating performance showed many bright spots, and we managed to make progress across a number of fronts. However, we expect the challenging market conditions to persist for some time, so we are convinced that we must do much more to continue to thrive and to grow.

A key to our performance remains our integrated business model. Among its advantages, we benefit from our businesses' shared best practices, including our customer value management and market segmentation strategies.

Our businesses' ability to deliver on our goal of the right experience for each consumer on every consumption occasion is founded on our market segmentation strategy. This strategy recognizes that the needs of our consumers, shoppers, and retailers are different, so we segment our markets and position our brands accordingly. Increasingly, we are focused on micro-segmentation; we use our market research and information technology systems to target smaller market segments, all the way to the individual point of sale.

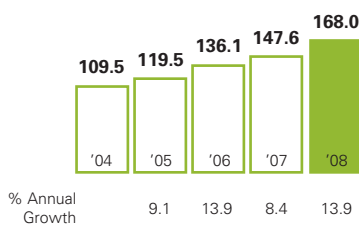
We are well advanced in the design of a new approach to serve our customers across our businesses, focused on optimizing the value of each account through the best possible practices and processes. As we begin to apply this new framework, we develop and deploy a different value proposition—highly structured customer programs from specialized services to loyalty and partnership initiatives—to satisfy each client's distinctive needs. Nothing is performed at random—from the optimal beverage portfolio to the most-favorable product display and point-of-purchase material. In this way, we work closely with our customers to execute and achieve the best possible experience for each consumer.

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

In a year of global challenge and change, Coca-Cola FEMSA continued on its path of profitable growth. Organically, we grew through improved pricing and margins across most of our markets, while our acquisitions contributed incremental volume and revenue growth—jointly driving our business' top- and bottom-line results for the year.

Coca-Cola FEMSA's joint acquisition of Jugos del Valle with The Coca-Cola Company—which we closed during the fourth quarter of 2007—has so far exceeded our expectations. This acquisition not only significantly advanced our multicategory strategy, but also made us the

Total Revenues
billions of pesos



Amid a volatile economic environment, we produced solid results, enhanced our competitive position, and extended our growth record.

largest producer of still beverages in the region—considerably increasing our company’s position in Latin America’s fast-growing, yet underdeveloped juice-based beverage segment. This powerful joint-venture platform is enabling us to strengthen our beverage portfolio with a number of new products and formulations aimed at different consumption occasions. In the process, we are developing new skills and applying new technologies that will benefit our entire organization. For the year, Jugos del Valle’s beverages portfolio supported more than 70 percent of Coca-Cola FEMSA’s growth in the still beverages category.

During the second quarter of 2008, we successfully closed and integrated the acquisition of The Coca-Cola Company’s Refrigerantes Minas Gerais Ltda. (“REMIL”) franchise territory in Brazil. This transaction increased our footprint by more than a third and advanced our strategy to grow in one of the world’s most dynamic economic markets. Our consolidated Brazilian operations now represent approximately 30 percent of the Coca-Cola bottling system in the country and serve more than 41 million consumers.

Two smaller acquisitions advanced our business’ water strategy. Jointly with The Coca-Cola Company, we agreed to acquire the Brisa bottled water business in Colombia. This transaction will increase our position in that market’s water category and will complement our growing beverage portfolio. We also acquired the Agua De Los Angeles jug water business in the Valley of Mexico. This acquisition doubled our presence in Mexico City’s jug water market, while unlocking the cross-sales potential of Agua De Los Angeles’ home delivery system.

Going forward, we will continue to seek maximum organic growth from our existing operations, while we pursue acquisitions that create value over time.

At FEMSA Cerveza, after a strong first half of the year, we saw signs of softening consumer demand in our main market of Mexico, along with growing macroeconomic pressures and high input costs across our markets. However, in Mexico, we implemented price increases during the year to mitigate higher raw-materials costs and rising general inflation. Although these increases, combined with the slowdown in the GDP (Gross Domestic Product), resulted in a decline in our domestic sales volume during the second half of the year, they supported our robust revenue growth. For the full year, our volumes in Mexico grew 1.6 percent, while our revenues increased by 7.4 percent in this key market.

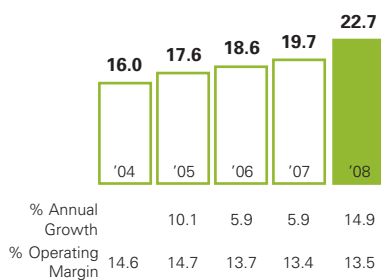
In Brazil, our volumes grew close to 4 percent—ahead of the industry for the second consecutive year. Most of our brands produced good results, with *Kaiser* and *Sol* contributing more than 50 percent of our incremental volume growth for the year.

Our beer exports worldwide delivered solid 9.3 percent growth, driven mainly by our *Dos Equis* and *Tecate* brands in the United States and by our *Sol* brand in other important markets. Despite the challenging economic environment, we generated volume growth of 9.2 percent in the key U.S. market—well above that of its import category.

Our market execution, product innovation, and brand-building initiatives continued to drive the health of—and demand for—our flagship brands, including *Tecate*, *Sol*, and *Indio*. Together, these three brands accounted for more than 70 percent of our consolidated beer sales volume in Mexico in 2008. Furthermore, during the year, in Mexico we launched *Sol Limón y Sal* and *Sol Cero Limón y Sal*; we rolled out the first national advertising campaign for *Indio*; and we initiated a new advertising campaign for *Sol*.

As part of our innovation, we also introduced the *Golden Collection*—including *Bohemia Clásica*, *Casta*, *XX Ambar*, and *XX Lager*—and *Bohemia*

Income from Operations
billions of pesos



Obscura's performance stood out among our impressive line of premium domestic beers. It accounted for 35 percent of the accumulated growth of the *Bohemia* family in 2008. Outside of Mexico, we rolled out a new advertising campaign for *Tecate Light* in the western United States. We also instituted the first-ever media campaign for our fast-growing Brazilian premium brand, *Xingu*, a dark beer.

For the year, the sales volume of our *Tecate* brand family reached 13 million hectoliters—making *Tecate* one of the top 20 selling brands in the world and the fastest-growing brand in the Americas. Also, for the fourth consecutive year, *Tecate Light* was the Mexican beer industry's fastest growing brand. Its brand health continued to grow dramatically, at a more rapid pace than that of its competitors. The brand strengthened the loyalty among our consumers in Mexico's north and northwest and attracted new consumers in territories where we are gradually penetrating the market. *Tecate Light* also continued to prove very popular among younger consumers, reinforcing its strong competitive position and long-term growth potential.

So, we again made progress in Mexico, the United States, and Brazil, the three key markets where we have focused the majority of our efforts in the beer business, which are among the most attractive, profitable, and dynamic in the world. As we consolidate and strengthen our competitive position across these markets, we continue to monitor closely the rapidly changing global landscape with a permanent view to capitalize on strategic opportunities that may arise.

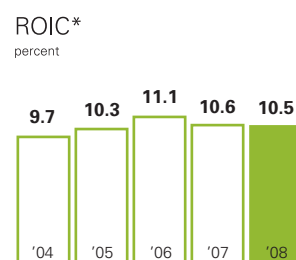
For its part, FEMSA Comercio posted another strong year in 2008. Our total revenues rose 12 percent, while our income from operations grew more than 25 percent for the seventh consecutive year. Our growth came from both ongoing store expansion and increased store traffic.

In 2008 OXXO accelerated the opening of new stores—more than 800—for a total of 6,374 across Mexico. To take advantage of OXXO's growing ubiquity, we continued to expand our range of convenient “one-stop” services—from loan and utility payments to payment for airline tickets to electronic airtime recharges—which drew even more consumers to our stores.

Our information technology systems continue to increase our ability to gather consumer information from our stores. The vast majority of OXXO's products are bar-coded, and we are in the process of rolling out a new, state-of-the-art point-of-sale solution to every store. Through this information network, we gain intelligence about consumer preferences and emerging trends, so we can test and enhance our businesses' product offerings, marketing, and promotions, while improving the execution and productivity of each store.

In addition to its commercial intelligence, OXXO provides our beverage businesses with an effective, rapidly growing sales channel. In 2008 beverage sales accounted for more than 41.5 percent of OXXO's revenues, making OXXO the largest retailer of FEMSA Cerveza beer and Coca-Cola products in Mexico. In fact, approximately 12.3 percent of FEMSA Cerveza's domestic beer volumes were sold through OXXO in 2008.

As OXXO has grown, so has its brand recognition and reputation. Among its many positive attributes, OXXO is increasingly known for its consistent quality, product and service innovation, convenience, and accessibility.



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

And given the low penetration of the OXXO format across the vast majority of the Mexican territory, we will continue our aggressive store expansion going forward, while we develop the framework to test the OXXO platform beyond Mexico.

Beyond our business results, we are committed to sound corporate-governance practices. We not only comply with all applicable legal standards—including those set forth in the Mexican Securities Market Law and the applicable provisions for foreign issuers in the U.S. Sarbanes-Oxley Act—but also pursue a culture of transparency, accountability, and integrity.

We also remain dedicated to our motivated group of employees, who are the foundation for our past, present, and future success. To continue our employees' growth, we are committed to the development of quality people at all levels of our organization. We offer proprietary training programs and tools to develop all of our people's capabilities and foster the cross-fertilization and growth of our company's shared pool of knowledge and talent through the exchange of our executives among our international operations network.

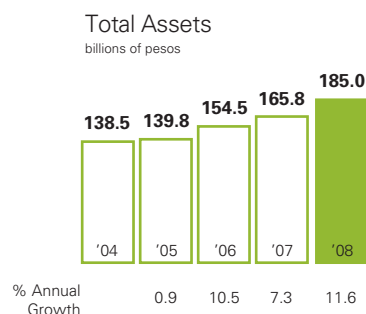
As we enter another tough year, we are better prepared operationally and financially for the challenges that lie ahead. On the operational front, we enjoy a strong competitive position in more markets than ever before. We have a better understanding of consumer behavior, as well as time-tested tools for use in difficult times—such as a dynamic packaging mix and a broad segmented portfolio of brands. We also have a management team that is committed to driving efficiencies across our organization, adjusting our spending levels in a manner consistent with the evolution of our markets, and maximizing the return on every investment.

On the financial front, our balance sheet is strong. As of December 31, 2008, our net-debt-to-EBITDA coverage ratio was 1.1 times, and our interest coverage ratio was 7.3 times. Approximately 78 percent of our total debt was denominated in local currency, mainly Mexican pesos, and approximately 55 percent of our debt carried a fixed interest rate.

We are taking advantage of our operating and financial flexibility to deploy our resources in a way that is aligned with rapidly changing macro- and microeconomic environments. As has been the case in the past, we are confident that we will emerge from these difficult times even stronger than we are today.

On behalf of the more than 120,000 dedicated men and women across FEMSA, we thank you for your continued support. Clearly, the global economic environment will continue to present enormous challenges for us as we go forward. It is our responsibility to adjust, to innovate, to do more with less, to keep finding ways to better serve our customers while we pursue the creation of value for all our stakeholders. We know we have to keep looking for our continuous improvement. We believe we are up to the task, and we welcome the opportunity to keep delivering on our promise to you now and into the future.

Organic growth—coupled with acquisitions—continues to create value over time.



José Antonio Fernández Carbajal

Chairman of the Board and Chief Executive Officer

FEMSA CERVEZA

7%

revenue growth

COCA-COLA FEMSA

20%

revenue growth

FEMSA COMERCIO

12%

revenue growth



We partner with our customers to achieve the optimal experience for each consumer on every occasion.

Coca-Cola FEMSA



COCA-COLA FEMSA

A Balanced, Multinational Portfolio

Better Positioned to Capture New Avenues for Growth

In the face of an increasingly turbulent global market environment, we continued on our path for growth. Our performance underscored our ability to capitalize on the benefits of our balanced, growing multinational portfolio of assets throughout Latin America; our operations outside of Mexico provided the majority of our growth, while Mexico remained our main cash-flow generator. Our organic growth—driven by improved pricing across most of our markets—combined with our acquisitions, drove our top- and bottom-line results in 2008.

For the year, our sales volume grew 5.8 percent to 2.2 billion unit cases. Our revenues rose 19.8 percent to Ps. 83.0 billion, and our income from operations increased 19.2 percent to Ps. 13.7 billion.

Growth Through Acquisitions

In 2008 we continued to strengthen our business through key acquisitions that set the stage to capture significant new avenues for growth, while enhancing our comprehensive product portfolio to better serve our consumers' evolving needs. In addition to partnering with The Coca-Cola Company and the Coke system for the acquisition of Jugos del Valle, we closed the acquisition of The Coca-Cola Company's REMIL franchise territory in the state of Minas Gerais, Brazil. This transaction reinforced our company's strategy to grow in one of the world's largest and most dynamic beverage markets. This acquisition not only expanded our market position in Brazil by more than a third, but also substantially increased the number of retail outlets and consumers that we serve through our balanced portfolio of high-quality beverages—it extended our geographic reach with a population the size of Chile and a territory the size of France.

We also advanced our water strategy through two bolt-on acquisitions in Colombia and Mexico. In July, we acquired the Agua De Los Ángeles jug water business in the Valley of Mexico. This acquisition doubled our presence in Mexico City's jug water market, while unlocking the cross-sales potential of Agua De Los

Ángeles' system of home delivery. In August, Coca-Cola FEMSA and The Coca-Cola Company jointly agreed to acquire the Brisa bottled water business in Colombia. Once closed, this transaction will meaningfully increase our position in the water category in that market and complement our growing beverage portfolio.

Multicategory Portfolio Growth

In 2008 we continued to expand our product portfolio with different beverage categories—from juices and nectars to orangeades and vitamin water—and, at the same time, reinforced our existing categories with new products such as hydro-tonics and energy drinks to reach, capture and satisfy more consumption occasions.

In the sparkling beverage segment, we successfully launched *Coca-Cola Zero* in Colombia and Costa Rica, complementing our offering of *Coca-Cola* brand beverages in those territories. Through our joint venture with The Coca-Cola Company, in January, we began to distribute *Jugos del Valle* brand juices and nectars in Mexico. From this powerful joint-venture platform, we also developed two innovative beverages—*Valle Frut* orangeade, a product with a low juice content, and *Valle Frut* pulp, a juice-based



Our multicategory beverage portfolio satisfies and stimulates consumers' tastes on any occasion.



product with a high content of fruit pulp—to reinforce this still beverage category and target different consumption occasions. We further rolled our *Jugos del Valle* juice-based beverages in Costa Rica, Colombia, Panama, and Nicaragua, expanding our product offering to meet our customers’ and consumers’ growing demand.

From a technology standpoint, we took advantage of *Jugos del Valle*’s heat-pasteurized, hot-fill capacity to reformulate, repackage, and relaunch our *PowerAde* brand isotonic beverages—offering consumers a superior tasting product. As a result, our sales volume of *PowerAde* brand products grew more than 20 percent for the year in Mexico.

In the growing tea category in Mexico, we regained our leading position through our launch of *Nestea* brand green tea during the fourth quarter, and we quickly captured the number two spot in the energy drink category with our rollout of *Gladiator*. In the third quarter, we also launched eight different flavors of *Glaceau* premium-brand vitamin water. Furthermore, in Brazil, we introduced a revolutionary product called *I-9* to develop a new hydro-tonics category.

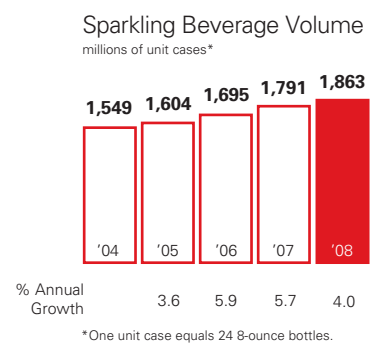
In all, our innovation accounted for more than 25 million unit cases representing more than 20% of our consolidated incremental volume for 2008. As we continue to grow our product offerings to satisfy consumers’ preferences, our powerful portfolio of products and presentations becomes an increasingly important—and very difficult to replicate—competitive advantage.

Employee Capabilities Growth

As the size and complexity of our business and product portfolio grow, so do our employees’ capabilities to manage, operate, and execute our business’ strategy. Today, our employees produce, market, distribute, and serve our multcategory beverage portfolio to approximately 200 million consumers at over 1.5 million points of sale—visited several times a week—across nine different countries.

We are a continuous learning organization. From our training cells program to our knowledge management portal, we are committed

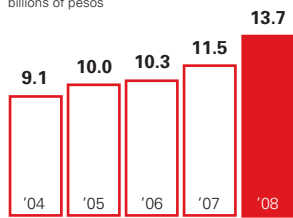
Our powerful portfolio of products and presentations creates an almost unparalleled competitive advantage in the marketplace.





20%
revenue growth

Income from Operations
billions of pesos



	'04	'05	'06	'07	'08
% Annual Growth		9.8	2.8	11.6	19.2
% Operating Margin	16.1	16.8	16.1	16.6	16.5

to providing our employees with the knowledge and skills necessary to align their development with our company's path for growth. We also foster the cross-fertilization of our company's shared pool of knowledge and talent through the exchange of our executives among our multinational operations.

Looking forward, the foundation of our business growth is based on several important pillars, including the right business model, management's clear, business-oriented vision, a relentless focus on excellent execution across the value chain, and a strong relationship with our business partners. These pillars, combined with growth from our new lines of business and our recent acquisitions, will provide us with sustainable long-term growth. We have talent, the resources, flexibility, and ability to adapt and adjust our operations to changing macroeconomic conditions.





FEMSA CERVEZA

Balanced Operating Efficiencies

Consolidating Our Position in an Increasingly Challenging Environment

2008 was a year for optimism and for caution. On the one hand, there are clear signs of increasing caution among consumers across our markets as a result of the recent global economic slowdown. On the other hand, today we enjoy a stronger competitive position than ever before—anchored by stronger brand portfolios and enhanced execution—as well as a better understanding of consumer preferences and practices.

For the year, our total sales volume grew 2.8 percent but, more importantly, our revenues rose 7.1 percent. After a healthy first half of the year, we saw signs of softening consumer demand in our main market of Mexico, along with growing macroeconomic pressures across our markets.

In Mexico, we were able to adjust our pricing during the year to partially mitigate a prolonged period of high raw-material costs worldwide and rising general inflation, reflecting a stable competitive environment. These increases, combined with a slowdown in GDP, resulted in a slowdown in our domestic sales volume during the second half of 2008. Despite a small contraction in operating profit, we increased our share of profits in the industry significantly.

In both the light and dark beer subcategories, we are growing significantly above the Mexican beer industry. In the former, *Tecate Light* is the clear market leader, and in the latter, *Indio* is consolidating an increasingly important position in this market segment.

In Brazil, our volumes grew 3.9 percent to 10.2 million hectoliters—outpacing the industry for the second consecutive year. Most of our brands produced good results, with *Kaiser* and *Sol* contributing more than 50 percent of our incremental volume growth for the year. After three years of operating in this market, our brand portfolio is now stronger and our growth is more balanced among the different brand alternatives that we offer to the consumer.

Innovative new products and packages played a key role in our Brazilian operation's performance for the year. After our successful 2007 launch of *Sol Shot*—which volume more than tripled in 2008—we introduced a non-alcoholic version of *Sol*, the first beer in this category. We also added new presentations to our portfolio,



Product and package innovation play a key role in our successful marketplace performance.

including a 500-milliliter can, a 5.0-liter keg, and new six- and 15-packs, to satisfy customers' and consumers' needs.

Our beer exports delivered 9.3 percent volume growth, driven mainly by our *Dos Equis* and *Tecate* brands in the United States and by our *Sol* brand in other key markets. In the U.S., despite the challenging economic environment, we generated high single-digit volume growth—well above the overall import category. This growth was driven largely by the strong performance of *Tecate*, combined with the improved distribution and brand positioning of *Dos Equis*—which delivered 13.0 percent growth during the year.

Improving Market Segmentation and Go-to-Market Models

We understand that each of our retailers and consumers is different, so we segment our markets and position our brands accordingly—developing and adapting our product offerings to satisfy their distinctive needs. Ultimately, our goal is to create a perfect experience for each consumer on every consumption occasion. That is our picture of success.

We are increasingly focused on microsegmentation. We use our market research and information technology systems to target smaller market segments, including—in some cases—the individual point of sale.



Instead of serving a variety of sales channels, each member of our sales force focuses on a specific size and type of channel, such as independently owned mom-and-pop grocery stores, convenience stores, bars, and restaurants. In this way, our sales people can tailor our promotional programs and merchandising—even diagram the layout of our products—to suit a specific sales channel or point-of-sale location.

To adapt to the conditions of every market segment and the different requirements of each client, we continually seek to identify and develop more efficient ways to go to market. In 2008 more than 40 percent of our sales came through alternative service models, including electronic and telephone ordering.

Continuous Innovation and Brand Development

Innovation is a top priority for our business. Through our extensive consumer and market research, we develop innovative new products and presentations that enable us to attract new consumers and strengthen our brands’ market positions.

During the year, we successfully launched *Sol Limón y Sal* and *Sol Cero Limón y Sal* in Mexico. These new premium line extensions of our flagship *Sol* brand were particularly popular among women who prefer to mix their beer with salt and lemon. We also successfully launched a special edition of *Superior*, *Superior Edición Especial*, as well as a limited 750-milliliter edition of *Bohemia Bock* at premium liquor stores in Mexico.

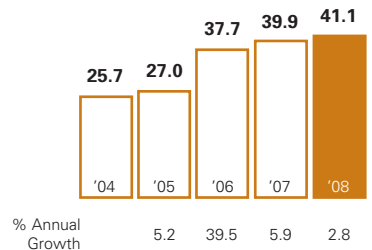
In 2008 we continued to invest in the further development of our brands. Among our important brand-building initiatives, we successfully launched the first national advertising campaign for *Indio*, and we rolled out a new campaign for *Carta Blanca* entitled “Juntos” (Together). Additionally, we launched a new advertising campaign for *Sol* and the first-ever media campaign for our fast-growing Brazilian brand of dark, premium beer, *Xingu*. Furthermore, we supported our super-premium brand segment, including *Dos Equis* and *Bohemia*, and our flagship *Tecate* brand family, including a campaign for *Tecate Light* in the western United States.

During the year, we earned two EFFIE awards for the effectiveness and success of our advertising campaigns “La más pedida” (“The most ordered one”) for *Tecate Light* and *Sol Lab* for our *Sol* brand.

We offer consumers a strong, balanced array of high-quality beer brands.



Total Volume
millions of hectoliters*



*One hectoliter equals 100 liters or 26.4 gallons.

35%

Bohemia Obscura's
contribution to
Bohemia's growth



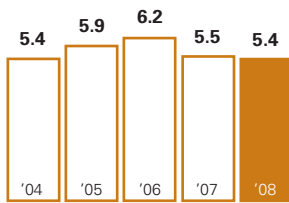


The EFFIEs are one of the Mexican marketing and communication industry’s most important awards. They reflect the dynamism and strength of our brands and a beer culture that increasingly favors our beers.

Thanks to our continuing brand-building initiatives, our *Tecate* brand family’s sales volume reached 13 million hectoliters for the year. Consequently, *Tecate* is now one of the top 20 selling brands in the world and the fastest-growing brand in the Americas.

In 2008 we extended our successful *Sol Lab* project. Through this industry-first experience marketing project, consumers again participated in and decided on a truly new customized beer by voting on liquid prototypes, packaging design, advertising, and promotions. Based on the preferences of our approximately 127,000 participants, the result was the launch of *Sol 2* in two additional cities in the second half of the year.

Income from Operations
billions of pesos



% Annual Growth	9.7	5.6	(11.5)	(1.9)
% Operating Margin	19.2	19.7	16.4	13.9

Ongoing Operating Efficiency and Cost Reduction Programs

As the macro- and microeconomic environment changes, we are taking immediate and decisive actions to adjust our levels of spending to current market conditions. This includes the deployment of aggressive efficiency programs to improve our cost structure; the rationalization of our spending—without jeopardizing the gains that we have made over the past few years; a proactive approach to





managing our packaging mix toward more affordable returnable presentations; and the maximum flexibility to align our strategy—including our marketing, sales, and capital expenditure programs—with a rapidly evolving and challenging operating environment.

As part of our efficiency programs, our operations achieved a 2.0 percent increase in productivity. We also reduced our water usage by 5.1 percent—well below international standards.

Continual Talent Development

We constantly improve our organizational structure, so we are much more dynamic, agile, and able to adapt to an evolving operating environment. Ultimately, the key to our success is our people—dedicated, talented, and disciplined employees with the knowledge and skills to execute our operating model. Accordingly, we continually work to attract and develop the right people to manage and implement our business strategies, practices, and processes. To foster the growth of quality people, we offer continuous training tools and initiatives, such as our first-time managers program, to give our employees the skills and abilities they need to succeed in an ever-changing world.



A perfect experience for each consumer on every occasion is our ultimate ambition.

FEMSA Comercio



FEMSA COMERCIO

Extensive Market Coverage

Well-Situated to Improve FEMSA's Competitive Position

FEMSA Comercio produced strong top- and bottom-line results in 2008. Total revenues grew 12.0 percent to Ps. 47.1 billion, and income from operations rose 32.6 percent to Ps. 3.1 billion. As a leading vendor of beer, bread, snacks, and soft drinks in all of Mexico, we remain on track to further expand our market coverage and improve FEMSA's competitive position.

Among other factors, our growth came from our continued store expansion and our increased store traffic, with our convenient array of higher margin products and services at competitive prices—from ready-to-drink coffee to electronic cell-phone air-time recharges—increasingly drawing consumers to our convenience stores. In 2008 FEMSA Comercio surpassed the 6,000-store mark, opening 811 new stores for a total of 6,374 stores across Mexico.

Strategic, Profitable Growth

Location plays a critical role in the long-term success of our business. Hence, our capacity to identify and open new stores rapidly and profitably is a key element of our growth strategy. Our proprietary models help us to identify suitable store locations, store layouts, and product assortments. These models not only use location-specific demographic data, but also our knowledge of similar locations to tailor the store's layout, as well as the store's product and service offerings, to suit the specific market. Even as the number of our convenience stores continues to climb, we keep fine-tuning our processes, and the success rate of our new store openings is at a record high.

We continue to make progress with the segmentation of our store base, which has the potential to become an important strategic tool to accelerate our revenues and profitability. Based on the perceived reason that consumers most frequently visit a given store, we are developing the framework for three different types of stores.



Intelligent Systems

Our information technology systems continue to increase our ability to gather consumer information from our stores and to improve our execution on a number of fronts—from consumer intelligence to inventory management to promotion design. Our information technology systems also are enabling us to ensure consistently high standards of quality control across our store base, while allowing us to improve the productivity per square foot of sales space.

The vast majority of OXXO's products are bar-coded, and every store is equipped with point-of-sale systems that are integrated into a company-wide computer network. We are currently upgrading this point-of-sale solution. Through this information network, we gain intelligence about consumer preferences and emerging trends, so

Our advanced IT systems enable us to increase our consumer intelligence, optimize our inventory management, and enhance our promotion design.



FEMSA COMERCIO

we can customize our local marketing and promotions and improve our offerings. For example, in response to growing consumer demand, we continuously add different electronic transactions at our stores—from buying cell-phone top-ups to paying for certain airline tickets. This enhances the level of convenience and flexibility for an increasing number of shoppers and enables us to increase our same-store traffic and average ticket.

We are continuing to develop our direct-distribution network—from nine to 11 direct distribution centers in 2008—so we are closer and able to make more frequent visits to our stores, and we can continue to improve our product assortment, increase our inventory turns, and minimize stock-outs. Together with the electronic ordering system that we have implemented internally and are developing with some of our largest suppliers, these initiatives will continue to help us grow FEMSA Comercio’s profitability going forward.

Business Integration

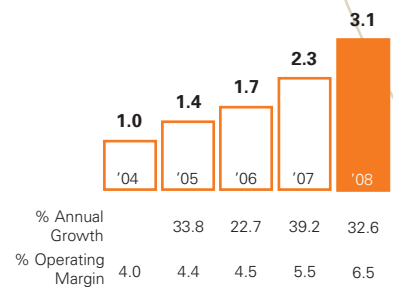
Our convenience stores are an effective distribution channel for our beverage businesses and a rapidly growing point of contact—and commercial intelligence—with our consumers. In 2008 beverage sales accounted for 41.5 percent of FEMSA Comercio’s revenues, making our stores the largest retailer of beer and Coca-Cola products in Mexico.

FEMSA Comercio also plays a major role in our beer business’s growth and market-penetration strategy across Mexico. Approximately 12.3 percent of FEMSA Cerveza’s domestic beer volumes were sold through our OXXO stores in 2008.

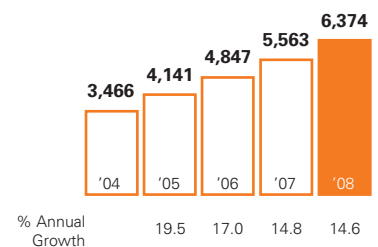
We continued to expand our range of convenient “one-stop” services which drew even more consumers to our stores.



Income from Operations
billions of pesos



OXXO Stores
units





¿Comida Rápida?

DESCRIPCIÓN	CTD	TOTAL
COBRO DE SERVICIOS		
AUTACSA		
C.I.A. 9105143205131120		
Cobro		1196.44
		7.00
Total a Pagar		1,203.44

Todo Correcto ?		37.50
<input type="button" value="SI"/>	<input type="button" value="NO"/>	40.00
CAMBIO MN		8.00
		2.50

91051432051311200000001196449



Social Responsibility

FEMSA

Social Responsibility

As we grow, so does our responsibility to society. Our long-term strategy is to create sustainable social and economic value through the growth of our employees, the development of our communities, the preservation of the environment, and our contribution to economic development.

Our efforts did not go unnoticed again this year. For the fourth consecutive year, the Mexican Center for Philanthropy (CEMEFI) recently recognized all of FEMSA's business units for their corporate social responsibility. This award is given to corporations that undertake their business based on ethical principles and values—centered on human dignity.

Quality of Life in the Workplace

The core of our company's philosophy is the integral development of our people and their families, which we advance through our social development model. This model originated in FEMSA's Sociedad Cuauhtémoc y Famosa (SCyF).

On March 30, 2008, SCyF celebrated its 90th anniversary. Created in 1918 as a savings and investment union, SCyF is now an important social and cultural development model for our employees and their families. Today SCyF operates 115 associations and nine social development centers throughout Mexico, as well as one affiliate in Buenos Aires, which foster the development and well-being of our employees and their families. In addition to sports, cultural, and recreational activities, SCyF provides financial and legal services, as well as scholarships and educational opportunities for our employees and their families.

FEMSA is an inclusive organization that values diversity. We believe that all people deserve the opportunity to grow and develop, without discrimination of any kind. We hire and retain people whose abilities enable them to fulfill the responsibilities and demands of the job.

Accordingly, in June 2001, we established the *Labor Integration System* to incorporate and promote equal opportunities for people



We value diversity and promote equal opportunity for growth and development.

with disabilities—matching their profiles with the job position. We work closely with the representatives of public and private universities to compile our database of candidates, and we collaborate with the federal government’s Integral Family Development System and the Ministry of Labor to conduct a pre-evaluation process of candidates. Since the inception of this program, more than 945 people with disabilities have joined our company across different areas of the organization.

Health and Well-being

The health of humanity around the world is of ever-increasing importance, particularly among some of the neediest sectors of our society. Given this trend and its fundamental significance to people’s total development, health and well-being are matters of immense concern to which FEMSA has dedicated great attention and effort over the past decade.

Recognizing that young people are our future, in 2007 FEMSA Cerveza developed and implemented the *Drawing My Own Destiny* (*Trazando Mi Propio Destino*) program, based on life skills training, to reduce the risks of alcohol consumption abuse, violence, and other hazards by targeting the major social and psychological factors that promote the initiation of dangerous behaviors. This comprehensive and exciting program provides adolescents and





The integral development of our employees and their families is the cornerstone of our company's philosophy.

young teenagers with the confidence and skills necessary to successfully handle challenging situations. Thanks to the very positive results of the initial pilot program—conducted among 30,000 secondary school students from 200 schools in Nuevo León, Mexico—in 2009 the state's Secretary of Education expanded the program to all of its 890 public and private secondary schools, benefiting approximately 225,000 seventh- to ninth-grade students and 9,500 teachers and inspectors, who will help to implement and evaluate the program.

Community Engagement

As an international industry leader, we undertake initiatives that foster the development of our communities and society. We are convinced that we should undertake these efforts today for the benefit of future generations. We are proud to introduce our first major long-term initiative, which we are confident will produce a legacy of community sustainability.

FEMSA Foundation

On November 14, 2008, we unveiled the FEMSA Foundation as our instrument for long-term social investments. Initially, it will invest in and support initiatives that promote the sustainable use of water and the adoption of healthy lifestyles in our communities



through education, science, and technology. Rather than offering donations, the FEMSA Foundation is involved in strategic grant making, investing in projects where it can commit resources and time to their growth and sustainability. In addition, the FEMSA Foundation prefers to invest in alliances with other like-minded institutions to multiply the effect of its approved social investments.

As a flagship project, the FEMSA Foundation, the Inter-American Development Bank, and Tecnológico de Monterrey jointly supported the creation and five-year operation of the Latin American and Caribbean Water Center (LACWC)—the first private center for applied research on the sustainable use of water for the region—through an aggregate investment of US\$11.0 million. The center will foster closer collaboration between the scientific community, society, and government; conduct continuous research on the sustainable use of water for Latin America; develop professionals to address Latin America’s water issues; and act as a bridge between water, society, the environment, and the economy. We chose the LACWC as our first project because it embodies our desired values and characteristics: collaboration, technology in the service of society, community and environmental well-being, and long-lasting, high-impact approach.

Among other water initiatives, the FEMSA Foundation supports a potable water project in Colombia, which aims to provide access to clean water for 36,000 people in underdeveloped areas of the country; the watershed project, a correct and clear diagnosis of the watersheds in Mexico; and the disaster relief vehicle, a self-contained potable water system that cleans communities’ water in the event of a flood. Additionally, we contributed to Pro Cuenca de Valle de Bravo A.C., an organization that develops and provides infrastructure such as dry toilets and water tanks to 600 families in rural areas around the Valley of Mexico. Looking forward, the Foundation is exploring alliances and initiatives to help foster healthy lifestyles among our communities. For more information about the FEMSA Foundation, please visit www.femsafoundation.org.

Social Responsibility Programs

At FEMSA, we are especially committed to the promotion of responsible lifestyles. FEMSA Cerveza was the first corporation in Mexico to institute the *Designated Driver Program* more than a decade ago. The program’s main objective is to contribute to the reduction of car accidents related to alcohol abuse by promoting the



Our business is based on ethical principles and values—grounded on human dignity.

SOCIAL RESPONSIBILITY

responsible consumption of alcohol. In 2008 approximately 41,237 registered drivers and more than 174,409 people benefited from the program. During the year, we also sponsored a new advertising campaign for the Designated Driver Program called “Unlike them, you are not designed to crash.”

At FEMSA Comercio, *OXXO's Social Responsibility Program (PRO)* encourages customers to round up their bills to the nearest peso, with the extra proceeds helping those who need it most. Since its beginning in 2002, this initiative has benefited more than 729 non-governmental organizations, mainly in the fields of health, education, and social development, with nearly US\$18.8 million. Among other services, these institutions provide medical care to low-income patients; food and clothing for the elderly and the poor; and hospital assistance to burn victims. They also promote the advancement of children and young people from poverty.

In May 2008, Coca-Cola FEMSA Colombia and the Office of the President of Colombia through the Counsel for Social Reintegration (Alta Consejería para la Reintegración Social), initiated the *Time Bank (Banco de Tiempo)* program, one of the main initiatives included in the whole reintegration model. Through this program,



As a socially responsible company, we sponsor and support programs that promote the health and well-being of society.



A diferencia de ellos, tú no estás hecho para chocar.



Conductor designado, una iniciativa de Cervecería Cuauhtémoc Moctezuma.



50 employees donate over 100 hours of their time to train approximately 100 former members of guerrilla groups, who want to voluntarily return to civil society. Comprised of courses and workshops, the program includes theoretical and practical training modules related to business development. The goal is to provide these individuals with practical tools to make a legal living and, thereby, help to eradicate violence and to restore peace in Colombia.

At FEMSA, we are confident that education fosters economic and social development. One of our core educational contributions is the creation and ongoing sponsorship of the Instituto Tecnológico y de Estudios Superiores de Monterrey—better known as Tecnológico de Monterrey. Founded under the leadership of Don Eugenio Garza Sada, former CEO of Cervecería Cuauhtémoc, Tecnológico de Monterrey is now one of the most prestigious private universities in Latin America. Today the university offers 50 bachelor degree programs, 31 international bachelor degree programs, 48 master’s degree programs, and 11 doctoral degree programs to 91,671 students at 33 campuses across Mexico.

Environmental Care

A healthy environment is important to our business. Accordingly, we work to reduce our environmental impact through sustainable business practices and initiatives.

In 2008 SEMARNAT, Mexico’s environment ministry, awarded FEMSA Cerveza and Coca-Cola FEMSA for their voluntary efforts to reduce their CO₂ emissions and to contribute to the prevention of global warming. Together with SEMARNAT, the World Business Council for Sustainable Development, and the World Resources Institute, FEMSA Cerveza and Coca-Cola FEMSA identify, inventory, control, and reduce greenhouse gases (GHG) in Mexico. The reduction of GHG directly helps to reduce climate change and global warming. Accordingly, it is expected that a growing number of companies and government organizations will join this global endeavor.

Recycling is a key part of our company’s commitment to preserve the environment. In 2002 Coca-Cola FEMSA, Coca-Cola de México, and ALPLA México—an important manufacturer and supplier of PET bottles—created the Mexican Recycling Industry (Industria Mexicana de Reciclaje or IMER). In 2004 they worked



In 2008 IMER recycled more than 12,000 tons; 7,500 of them were used for post-consumer PET bottles.

SOCIAL RESPONSIBILITY

together to build Latin America's first bottle-to-bottle PET recycling facility in Toluca, Mexico. In 2008 this facility recycled more than 12,000 tons; 7,500 of them were used for post-consumer PET bottles. Employing the plant's FDA (Food and Drug Administration)-approved bottle-to-bottle recycling technology, Coca-Cola FEMSA can incorporate recycled PET into its bottles, benefiting not only our business by using less energy and resources, but also our environment by preserving fossil fuels and enhancing the quality of our communities' surroundings.

Started 10 years ago, the *Planet Mission* program promotes a culture of environmental responsibility by recycling and reusing PET, aluminum, cardboard, and wood. Coca-Cola FEMSA Costa Rica collects the PET, classifies it, grinds it, and then exports it to China. In China, the ground PET is transformed into polyester fiber for the production of fabrics, packaging materials, and wood-like products. In 2008 the program collected more than 1,600 metric tons of these materials.

For more than a century, we have generated economic value for our investors, our employees, our communities, and the countries in which we do business. Indeed, our economic impact has reached well beyond the food and beverage industry.

Beyond these important initiatives, over the past five years, we have invested nearly US\$4.4 billion in fixed assets and currently we provide direct employment for more than 120,000 people.



We are confident that the FEMSA Foundation will produce a legacy of community sustainability, such as its first initiative: The Water Center.

We enjoy a broad and deep pool of talented executives who guide our sustainable growth as a premier beverage company. Through the flow of our economic environment, our executive team continues to create value and improve our competitive position. Together, they capitalize on our company's core competencies and capabilities, and take advantage of our integrated beverage model to seize opportunities across our company's increasingly diverse markets. In so doing, they foster FEMSA's legacy of integrity well into the future.

José Antonio Fernández Carbajal

Chairman of the Board and Chief Executive Officer of FEMSA

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

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

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

He co-directs the Mexican Chapter of the Woodrow Wilson Center as President, and for the last 14 years, he has been a professor of Planning Systems in the Industrial and Systems Engineering degree program at Tecnológico de Monterrey, at the Monterrey campus.

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

Federico Reyes García

Vice-President of Corporate Development of FEMSA

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

Javier Gerardo Astaburuaga Sanjines

Chief Financial Officer and Vice-President of Strategic Development

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

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

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

Alfonso Garza Garza

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

Alfonso Garza joined FEMSA in 1985 and was named Executive Vice-President of Human Resources in 2005. Prior to that, he held various positions at FEMSA Cerveza and FEMSA Empaques (Packaging), including the management of FEMSA Packaging and Grafo Regia. In January 2009, he was appointed as Vice-President of Strategic Procurement, Business Processes, and Information Technology of FEMSA.

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

José González Ornelas

Vice-President of Auditing and Operating Control of FEMSA

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

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

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

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

Genaro Borrego Estrada

Vice-President of Corporate Affairs

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

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

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

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

Carlos Salazar Lomelín

Chief Executive Officer of Coca-Cola FEMSA

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

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

Jorge Luis Ramos Santos

Chief Executive Officer of FEMSA Cerveza

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

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

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

Eduardo Padilla Silva

Chief Executive Officer of FEMSA Comercio

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

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

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

Responsible Corporate Governance

FEMSA's Board of Directors guides our company's growth in accordance with the highest standards of corporate governance. Only on a foundation of responsible corporate governance can we consistently build our business and deliver the results our shareholders, consumers, employees, and other stakeholders expect from our company.

The Board of Directors works to ensure that our company promotes financial transparency and accountability and high ethical standards. We are committed to the quality of our disclosures practices, and adhere to best corporate-governance practices. We comply with the standards set forth in the Mexican Securities Market Law and applicable requirements established by the United States' Sarbanes-Oxley Act. We were also among the leaders in compliance with the Best Corporate Practices Code, established by the Mexican Entrepreneurial Council.

Audit Committee

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

Corporate Practices Committee

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

Finance Committee

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

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

Board of Directors

In 2008 we bade farewell to a great corporate statesman, Don Eugenio Garza Lagüera. For more than 50 years, his devotion, passion, and commitment helped to make FEMSA the successful company that it is today.

His leadership set the example—and the core foundation—for our company. Among his guiding principles, he taught us that economic and social development go hand-in-hand; that integrity and respect for our people's, our community's, and our country's economic and social growth are the basis of our business through good and bad times.

The best way for us to honor his memory is to follow his lead—his legacy of strength, persistence, optimism, modesty, integrity, respect, and goodwill.

Eugenio Garza Lagüera

(Mr. Garza Lagüera passed away on May 24, 2008)

Honorary Life Chairman of the Board of FEMSA
Elected 1960
Alternate: Mariana Garza de Treviño

José Antonio Fernández Carbajal

Chairman of the Board and
Chief Executive Officer of FEMSA
Elected 1984
Alternate: Federico Reyes García^c

Bárbara Garza de Braniff

Private Investor
Elected 2007
Alternate: Eva Garza de Fernández

José Calderón Rojas

Chairman and Executive Vice President of
Servicios Administrativos de Monterrey, S.A.
de C.V. and Franca Industrias, S.A. de C.V.
Real Estate Company
Elected 2005
Alternate: Francisco José Calderón Rojas

Consuelo Garza de Garza

Founder and Former President of ANSPAC
Not-for-Profit Organization
Elected 1995
Alternate: Alfonso Garza Garza

Max Michel Suberville

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

Alberto Bailleres

Chairman of the Board and Executive President
of Grupo Bal S.A. de C.V.
Mining and Metallurgic Industry, Insurance
Company, and Department Store Chain
Elected 1995
Alternate: Arturo Fernández Pérez

Francisco Javier Fernández^c

Private Business Consultant
Elected 2005
Alternate: Javier Astaburuaga Sanjines

Ricardo Guajardo Touché^c

Former Chairman of the Board of
Grupo Financiero BBVA Bancomer, S.A. de C.V.
Financial Institution
Elected 1988
Alternate: Othón Páez Garza

Alfredo Livas Cantú^{c1}

President of Praxis Financiera, S.C.
Financial Consulting Firm
Elected 1995
Alternate: Sergio Deschamps Ebergeny¹

Roberto Servitje Sendra

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

Carlos Salguero^{b1}

Former Executive Vice President of
Philip Morris International
Tobacco & Beverages
Elected 1995
Alternate: Alfonso González Migoya^{a1}

Paulina Garza de Marroquín

Private Investor
Elected 2007
Alternate: Carlos Salazar Lomelín

José Manuel Canal Hernando^{a1}

Private Consultant
Accounting Firm
Elected 2003
Alternate: Ricardo Saldivar Escajadillo¹

Armando Garza Sada

Executive Vice President of Corporate
Development of Alfa S.A.B. de C.V.
Elected 2006
Alternate: Eduardo Padilla Silva

Alexis E. Rovzar^{a1}

Executive Partner of White & Case S.C.
Law Firm
Elected 1989
Alternate: Francisco Zambrano Rodríguez^{a1}

Helmut Paul^{b1}

Owner of H. Paul & Company LLC
Corporate Finance Advisory Firm
Elected 1988
Alternate: Antonio Elosúa Mugerza¹

Lorenzo H. Zambrano^{b1}

Chairman of the Board and Chief Executive
Officer of CEMEX, S.A.B. de C.V.
Elected 1995
Alternate: Francisco Garza Zambrano¹

Robert E. Denham^c

Partner of Munger, Tolles & Olson LLP
Law Firm
Elected 2001
Alternate: José González Ornelas

Secretary

Carlos Eduardo Aldrete Ancira

Alternate Secretary

Arnulfo Treviño Garza

Committees:

- a) Auditing
- b) Corporate Practices
- c) Finance and Planning

Relation:

- 1) Independent

An Invaluable Legacy



In 2008 we mourned the passing of Don Eugenio Garza Lagüera. He was not only recognized as one of Mexico's most respected businessmen, but also as a renowned philanthropist and promoter of education, culture, and environmental conservation.

In 2008 we bade farewell to a great corporate statesman, Don Eugenio Garza Lagüera. An honorable man of few words and strong convictions, Don Eugenio led varied cultural, educational, and business interests across several nations. He was not only one of the most respected businessmen in his native Mexico, but also a supporter of education, distinguished philanthropist, leader in environmental conservation, and cultural example across two continents. Over a long and fruitful life, he received many awards for his achievements and strong sense of social responsibility. We are proud that FEMSA demonstrates the philosophy and generation of value for which Don Eugenio was recognized.

For more than 50 years, his devotion, passion, and commitment helped to make FEMSA the successful company that it is today. His leadership set the example—and the core foundation—for our company. Across the flows of the economy of the last half century, his creative skills and ability to create value in the face of adversity have led FEMSA to its preeminent position as the integrated beverage company with the greatest presence in Latin America. Among his guiding principles, he taught us that economic and social development can go hand-in-hand; that integrity and respect for our commitments to our people's, our community's, and our country's economic and social growth are the basis of our business through good and bad times.

We, the collective family and friends of FEMSA, offer our thanks to this great man for his abiding concern and focus on our collective well-being. He has shown us that true greatness in people comes from their actions of respect, humbleness, and camaraderie.

The best way for us to honor his memory is to follow his lead—his legacy of strength, persistent optimism, modesty, integrity, respect, and goodwill. With deep gratitude we say again, "Farewell, Don Eugenio. May you and your deeds be long remembered!"

Balance Through Geographic Expansion



FEMSA Overview

SOFT DRINK BRANDS

Agua De Los Ángeles	Dasani	Kist	Quatro
Alpina	Dasani Sabores	Kola Roman	Quatro Light
Aquarius	Delaware Punch	Kuat	Santa Clara
Beberé	Fanta	Kuat Light	Schweppes
Black Fire	Fanta Light	Laranja Kaseira	Schweppes Aguas
Brisa	Fanta Zero	Lift	Shangri-La
Burn	Fresca	Lift Zero	Sidral Mundet
Carioca	Fresca Uno	Manantial	Sidral Mundet Light
Cepita	Freskolita	Minute Maid	Simba
Cepita Aguas	Frutsi	Montefiore	Soda Clausen
Chinotto	Glaceau	Mundet	Sprite
Ciel	Gladiator	Nestea	Sprite Zero
Ciel Aquarius	Hi-C	Nestea Light	Sonfill
Coca-Cola	Hit	Nevada	Sunfrut
Coca-Cola Light	I-9	Polar	Tai
Coca-Cola Zero	Ju-C	Polar Quinada	Valle Frut
Crush	Jugos del Valle	PowerAde	Naranjada
Crystal	Kapo	Premio	Valle Frut Pulpa
	Keloco	Prisco	

OXXO BRANDS

andatti



COMPANY	MEXICO		ARGENTINA	BRAZIL
	FEMSA CERVEZA	FEMSA COMERCIO	COCA-COLA FEMSA	
FEMSA Ownership (%)	100	100	53.7 ⁽¹⁾	
Sales Volume	30,872 ⁽²⁾⁽¹⁰⁾	—	1,149 ⁽³⁾	186 ⁽³⁾ 371 ⁽³⁾
Revenues ⁽⁴⁾	42,385 ⁽⁸⁾	47,146	33,799	21,204
Income from Operations ⁽⁴⁾	5,394 ⁽⁸⁾	3,077	6,715	3,321
Plants/Stores	6	6,374	10	1 4
Distribution Facilities	347	11	83	5 27
Distribution Routes	2,795	—	3,680	296 1,417
Brands	21	1	42	27 19
Clients ⁽⁵⁾	320	3.7 ⁽⁶⁾	612	82 197
Head Count ⁽⁷⁾	23,815	21,261	65,021	

Note: Includes just information of core businesses.

(1) The remaining 31.6% and 14.7% are owned by The Coca-Cola Company and by the public, respectively.

(2) Thousands of hectoliters.

(3) Millions of unit cases (one unit case equals 24 8-ounce bottles).

(4) Expressed in millions of Mexican pesos.

(5) Expressed in thousands.

BEER BRANDS

Bavaria sem Álcool	Chopp Sol sem Álcool	Kloster Light	Sol Light	Superior Edición Especial
Bavaria Pilsen	Coors Light	Noche Buena	Sol Limón y Sal	Tecate
Bavaria Premium	Heineken	Palma Louca	Sol Oscura	Tecate Light
Bohemia	Indio	Santa Cerva	Sol Pilsen	Xingu
Bohemia Obscura	Kaiser	Sol	Sol Premium	XX Ambar
Carta Blanca	Kaiser Bock	Sol 2	Sol Zero	XX Lager
Carta Blanca Edición Especial	Kaiser Gold	Sol Brava	Soul Citric	
Carta Blanca Light	Kaiser Pilsen	Sol Cero	Summer	
Casta	Kloster	Sol Cero Limón y Sal	Superior	



	GUATEMALA	NICARAGUA	COSTA RICA	PANAMA	COLOMBIA	VENEZUELA	BRAZIL
COMPANY	COCA-COLA FEMSA						FEMSA CERVEZA
FEMSA Ownership (%)	53.7 ⁽¹⁾						83.0 ⁽⁹⁾
Sales Volume	133 ⁽³⁾				198 ⁽³⁾	207 ⁽³⁾	10,181 ⁽²⁾
Revenues ⁽⁴⁾	27,973						42,385 ⁽⁸⁾
Income from Operations ⁽⁴⁾	3,659						5,394 ⁽⁸⁾
Plants/Stores	5				6	4	8
Distribution Facilities	28				32	33	8
Distribution Routes	316				607	466	850
Brands	28				17	11	14
Clients ⁽⁵⁾	102				366	159	400
Head Count ⁽⁷⁾	65,021						2,210

(6) Millions of clients per day.

(7) Includes third-party head count.

(8) FEMSA Cerveza results, includes Mexico, Brazil and exports.

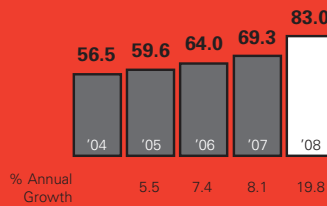
(9) The remaining 17% is owned by Heineken.

(10) Includes exports.

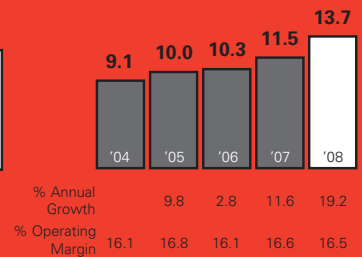
BUSINESS UNIT HIGHLIGHTS

Coca-Cola FEMSA

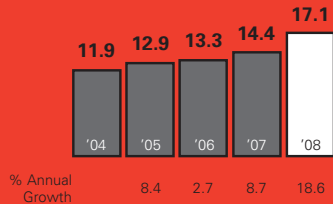
Total Revenues
billions of pesos



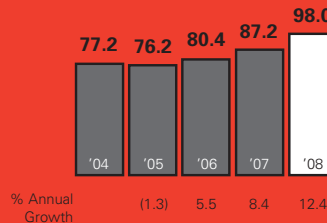
Income from Operations
billions of pesos



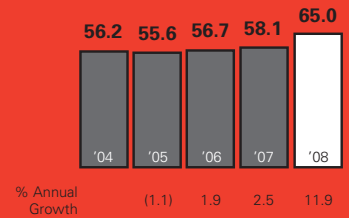
EBITDA*
billions of pesos



Total Assets
billions of pesos



Personnel
thousands



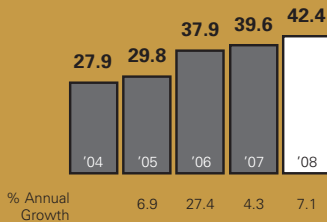
Beginning in 2008 we discontinued inflation accounting for our subsidiaries in Mexico, Guatemala, Panama, Colombia, and Brazil. 2008 figures for these are in nominal pesos. For the rest of our subsidiaries in Nicaragua, Costa Rica, Venezuela, and Argentina, we applied inflation accounting during 2008.

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

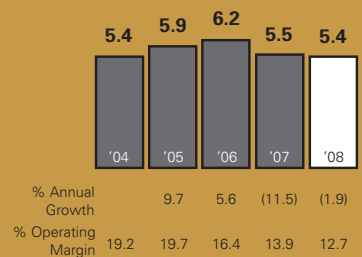
BUSINESS UNIT HIGHLIGHTS

FEMSA Cerveza

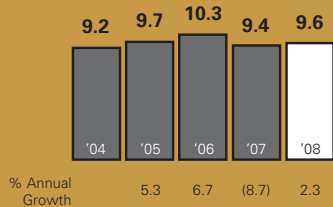
Total Revenues
billions of pesos



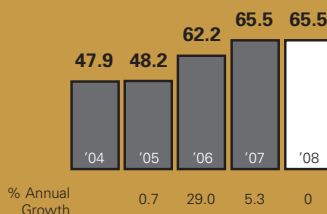
Income from Operations
billions of pesos



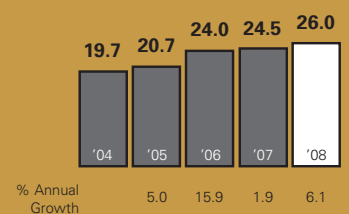
EBITDA*
billions of pesos



Total Assets
billions of pesos



Personnel*
thousands



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

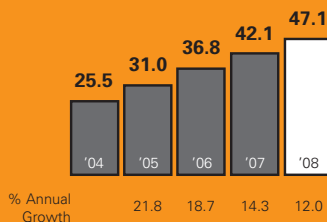
*EBITDA equals Operating Income plus Depreciation, Amortization and other non-cash items.

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

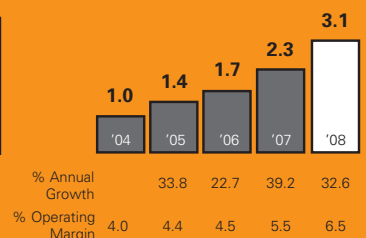
BUSINESS UNIT HIGHLIGHTS

FEMSA Comercio

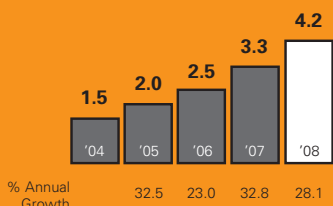
Total Revenues
billions of pesos



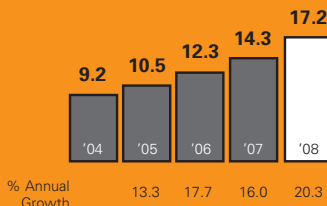
Income from Operations
billions of pesos



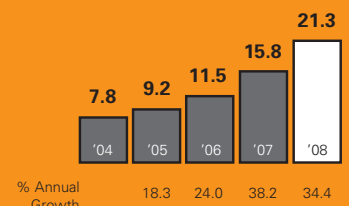
EBITDA*
billions of pesos



Total Assets
billions of pesos



Personnel*
thousands



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

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

*Commission agents not included.

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Financial Summary

FOMENTO ECONOMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

<i>Amounts expressed in millions of Mexican pesos (Ps.) as of December 31. ⁽¹⁾</i>	2008	2007	2006	2005	2004
Income Statements					
Net sales	Ps. 167,171	Ps. 147,069	Ps. 135,647	Ps. 118,799	Ps. 108,752
Total revenues	168,022	147,556	136,120	119,462	109,500
Cost of sales	90,399	79,739	73,338	63,695	58,074
Gross profit	77,623	67,817	62,782	55,767	51,426
Operating expenses	54,939	48,081	44,145	38,166	35,433
Income from operations	22,684	19,736	18,637	17,601	15,993
Other expenses, net	2,374	1,297	1,650	1,108	915
Integral result of financing	6,825	1,553	2,519	2,800	1,548
Income taxes	4,207	4,950	4,608	4,620	2,801
Consolidated net income for the year	9,278	11,936	9,860	9,073	10,729
Net majority income	6,708	8,511	7,127	5,951	6,917
Net minority income	2,570	3,425	2,733	3,122	3,812
Ratios to total revenues (%)					
Gross margin	46.2%	46.0%	46.1%	46.7%	47.0%
Operating margin	13.5%	13.4%	13.7%	14.7%	14.6%
Net income	5.5%	8.1%	7.2%	7.6%	9.8%
Other information					
Depreciation	4,967	4,359	4,333	3,990	3,870
Other non-cash charges to income from operations	4,031	3,709	3,787	3,543	3,426
EBITDA	31,682	27,804	26,757	25,134	23,289
Capital expenditures ⁽²⁾	14,234	11,257	9,422	7,508	7,948
Balance Sheets					
Assets					
Current assets	39,017	33,485	27,829	24,900	22,614
Property, plant and equipment, net ⁽³⁾	65,158	57,832	56,027	51,175	52,352
Investment in shares	1,965	1,863	824	852	930
Intangible assets	65,299	60,234	57,906	52,837	52,260
Other assets	13,601	12,381	11,930	10,059	10,377
Total assets	185,040	165,795	154,516	139,823	138,533

Financial Summary

FOMENTO ECONOMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

<i>Amounts expressed in millions of Mexican pesos (Ps.) as of December 31. ⁽¹⁾</i>	2008	2007	2006	2005	2004
Liabilities					
Short-term debt	Ps. 11,648	Ps. 9,364	Ps. 6,746	Ps. 5,479	Ps. 10,736
Current liabilities	32,446	24,153	21,314	17,031	16,514
Long-term debt	32,210	30,665	35,673	32,129	40,563
Labor liabilities	2,886	3,718	3,269	2,676	2,207
Deferred taxes liabilities	2,400	3,584	3,995	3,703	4,673
Other	6,555	4,658	5,311	4,407	3,813
Total liabilities	88,145	76,142	76,308	65,425	78,506
Stockholders' equity					
Majority interest	96,895	89,653	78,208	74,398	60,027
Minority interest in consolidated subsidiaries	68,821	64,578	56,654	52,400	40,314
	28,074	25,075	21,554	21,998	19,713
Financial ratios (%)					
Liquidity	0.89	1.00	0.99	1.11	0.83
Leverage	0.91	0.85	0.98	0.88	1.31
Capitalization	0.34	0.33	0.37	0.35	0.51
Data per share					
Book value ⁽⁴⁾	3.847	3.609	3.167	2.929	2.537
Net income ⁽⁵⁾	0.375	0.476	0.398	0.333	0.435
Dividends paid ⁽⁶⁾					
Series "B" shares	0.081	0.074	0.049	0.037	0.030
Series "D" shares	0.101	0.093	0.061	0.046	0.037
Number of employees	122,981 ⁽⁷⁾	105,020	97,770	90,731	88,214
Number of outstanding shares ⁽⁸⁾	17,891.13	17,891.13	17,891.13	17,891.13	15,891.93

(1) Amounts as of December 31, 2007, 2006, 2005 and 2004 are expressed in millions of pesos as of December 31, 2007.

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

(3) Includes bottles and cases.

(4) Majority stockholders' equity divided by the total number of shares outstanding at the end of each year.

(5) Majority net income divided by the total number of shares outstanding at the end of each year.

(6) Expressed in nominal pesos of each year.

(7) 2008 figure includes third-party employees from FEMSA Cerveza.

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

AUDITED FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 COMPARED TO THE TWELVE MONTHS ENDED DECEMBER 31, 2007.

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

All of the figures in this report were prepared in accordance with Mexican Financial Reporting Standards ("Mexican FRS" or "Normas de Información Financiera"). The 2007 results have been restated in constant Mexican pesos ("Pesos" or "Ps.") with purchasing power as of December 31, 2007 and 2008 results are stated in nominal Mexican pesos. The translation of Mexican pesos into U.S. dollars ("\$") are included solely for the convenience of the reader, using the noon buying rate for pesos as published by the Federal Reserve Bank of New York at December 31, 2008, which was 13.8320 Mexican pesos per U.S. dollar.

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

FEMSA CONSOLIDATED

Amounts in average Mexican millions pesos of 2008

FEMSA and Its Subsidiaries

	Total Revenues	% Growth Versus '07	Income from Operations	% Growth Versus '07
FEMSA Consolidated	Ps. 168,022	13.9%	Ps. 22,684	14.9%
Coca-Cola FEMSA	82,976	19.8%	13,695	19.2%
FEMSA Cerveza	42,385	7.1%	5,394	(1.9)%
FEMSA Comercio	47,146	12.0%	3,077	32.6%

Total Revenues

FEMSA's consolidated total revenues increased 13.9% to Ps. 168,022 million in 2008 compared to Ps. 147,556 million in 2007. All of FEMSA's 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% over 2007 to Ps. 42,385 million, mainly driven by 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 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 pressure at FEMSA Cerveza and Coca-Cola FEMSA, as well as the depreciation of the local currencies against the U.S. dollar as applied to our dollar-denominated costs, resulting in an 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 the Latincentro division due to higher labor costs. FEMSA Comercio accounted for 30% of the increase, resulting from the accelerated store expansion and 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 FEMSA's 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 was due to Coca-Cola FEMSA and 30% to FEMSA Comercio. As a percentage of total revenues, selling expenses increased 0.6 percentage points to 27.0% in 2008 compared to 26.4% in 2007.

Consolidated income from operations increased 14.9% to Ps. 22,684 million in 2008 as compared to Ps. 19,736 million in 2007, driven by the results of 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 stable margin at Coca-Cola FEMSA, offset the margin pressure at FEMSA Cerveza, which was driven by higher raw materials cost and operating expenses.

Integral Result of Financing

Integral result of financing increased in 2008 to Ps. 6,825 million reflecting (i) a shift from a gain to a loss in foreign exchange 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, (ii) a shift from a gain to a loss in certain derivative instruments that do not meet hedging criteria for accounting purposes, driven by the mark-to-market recognition in our U.S. dollar cross currency swaps and to a lesser extent, the unwinding of certain commodity hedges, (iii) an increase in other expenses mainly due to write-off expenses derived from asset rationalization at Coca-Cola FEMSA in Mexico, and (iv) lower gain in the monetary position, reflecting changes in the Mexican Financial Reporting Standards, as inflationary adjustment is no longer applied to the vast majority of our liability position.

Income Taxes

Our 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 as 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. Operating income growth during the year partially offset a higher integral result of financing driven by the factors mentioned above.

Net majority income amounted to Ps. 6,708 million in 2008 compared to Ps. 8,511 million in 2007, a decline of 21.2%. Net majority income in 2008 per FEMSA Unit⁽¹⁾ was Ps. 1.87 (\$1.36 per ADS).

Capital Expenditures

Capital Expenditures reached Ps. 14,234 million in 2008, an increase of 26.4% from 2007 levels, reflecting increased investment in the beverage business units related to additional capacity and distribution assets, market-related investments as well as the accelerated expansion in store openings at FEMSA Comercio.

Consolidated Net Debt

As of December 31, 2008, FEMSA recorded a cash balance of Ps. 9,110 million (\$658.6 million), a decrease of Ps. 1,346 million (\$97.3 million) as compared to December 31, 2007, mainly as a result of cash acquisitions made by Coca-Cola FEMSA over the last twelve months, including the acquisition of REMIL, and the payment of debt maturities. Short-term debt was Ps. 11,648 million (\$842.1 million) and long-term debt was Ps. 31,275 million (\$2,261.1 million). Our net debt increased Ps. 4,241 million (\$306.6 million), mainly driven by the appreciation of the U.S. dollar as applied to our U.S. dollar liability position and by cash acquisitions during the year.

FINANCIAL RESULTS BY BUSINESS SEGMENT

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 our divisions. Latincentro division accounted for more than 45% of the growth, the acquisition of REMIL contributed more than 20% of this growth, and Mexico and Mercosur division, excluding REMIL, represented the balance.

Consolidated average price per unit case increased 12.5%, reaching Ps. 35.93 in 2008 as compared to Ps. 31.95 in 2007, reflecting higher average prices in all of our territories resulting from (i) selective price increases implemented during the year across geographies, (ii) incremental volumes from our still beverage portfolio, which carries higher prices on average, and (iii) the positive exchange rate translation effect coming mainly from the Latincentro division.

Consolidated 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%. Sparkling beverage volume, accounted for close to 60% of incremental volumes, water and still beverage represented the balance. Sparkling beverage volume increased 4.0% as a result of volume growth in all of our territories, mainly driven by the *Coca-Cola* brand. Excluding REMIL, total sales volume increased 2.6% reaching 2,176.7 million unit cases, sparkling beverage sales accounted for close to 20% of these incremental volumes and our water business and still beverages represented the balance.

Gross Profit

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 resulted from the depreciation of local currencies against the dollar in our main operations as applied to our dollar-denominated raw material costs and the integration of *Jugos del Valle* line of business in Mexico that carries higher cost of goods. Gross profit increased 17.1% to Ps. 39,081 million in 2008, as compared to the previous year, driven by incremental revenues across all of our territories however, our gross margin decreased 1.1 percentage points to 47.1% in 2008.

(1) FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of December 31, 2008 was 3,578,226,270 equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

Income from Operations

Operating expenses in absolute terms increased 16.0% year over year to Ps. 25,386 million driven by incremental expenses in our Mercosur division coming from the integration of REMIL and higher freight costs in Argentina, and higher labor costs in Latincentro. As a percentage of sales, operating expenses declined from 31.6% in 2007 to 30.6% in 2008, reflecting operating leverage achieved during the year driven by higher revenues and stable operating expenses in Mexico.

Income from operations increased 19.2% to Ps. 13,695 million in 2008, as compared to Ps. 11,486 million in 2007. Mercosur and Latincentro divisions accounted for close to 90% of this increase. Operating margin remained almost flat at 16.5% in 2008 compared to 16.6%, operating leverage achieved during the year offset the 15.7% increase in the cost per unit case.

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 represent 92.0% of total revenues in 2008. Higher average prices per hectoliter accounted for approximately 55 percent of total revenue growth, incremental volumes were approximately 36 percent and 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 our own distribution network, which for the year stands at 90% of our total domestic volume and price increases implemented during the year.

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 we had balanced growth coming from all of our brands, led by our *Sol*, *Kaiser* and *Bavaria* brands, which 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 our *Dos Equis* and *Tecate* brands in the U.S. and for our *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 \$94.0 U.S., 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% of total revenue growth in the year. This increase was mainly driven by higher raw material costs, particularly aluminum and grains, the Mexican peso depreciation of 25% as applied to our 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 our 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 U.S. and for *Kaiser* and *Sol* in Brazil and to the incremental volumes that we brought under our 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 growth. 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 0.4% compared to 2007. A 13.0% increase in store traffic, which was driven by 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 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 relevant 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 our 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.

KEY EVENTS DURING 2008**Main Implications from Changes in Mexican Financial Reporting Standards**

Beginning on January 1st 2008, in accordance with changes in the Mexican Financial Reporting Standard NIF B-10 "inflation effects," the Company discontinued the use of inflation accounting for subsidiaries such as Mexico, Guatemala, Panama, Colombia and Brazil (2008 figures for these countries are in nominal pesos). However for the rest of FEMSA's subsidiaries (Nicaragua, Costa Rica, Venezuela and Argentina), inflation accounting methodologies will continue to apply during 2008. For comparison purposes, the figures for 2007 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 and converted from local currency into Mexican pesos using the official exchange rate at the end of the period published by the local central bank of each country. Additionally, for tax purposes, the adoption of this new pronouncement impacts the effective tax rate since we continue applying the Mexican inflation rate to the taxable income computation.

FEMSA—External Auditor Rotation

On February 27, 2008 FEMSA and Coca-Cola FEMSA announced that its Board of Directors approved the rotation of FEMSA's independent auditor, following the recommendation of its Audit Committee and continuing with our corporate governance best practices. Therefore, beginning in 2008 the independent auditor for the Company and its subsidiaries has been Ernst & Young.

FEMSA Shareholder Meetings

On April 22 2008, shareholders approved the proposals to maintain our current unit share structure, and to maintain the existing share structure beyond May 11, 2008. In order to maintain this unchanged share and unit structure, shareholders also voted for the amendment of the Company's bylaws.

Coca-Cola FEMSA Acquired REMIL for US\$364 Million

During the second quarter 2008, Coca-Cola FEMSA announced that it closed a transaction with The Coca-Cola Company to acquire its Refrigerantes Minas Gerais Ltda. "REMIL" franchise territory in Brazil. The aggregate value of this transaction was US\$364 million dollars. Since June 2008, Coca-Cola FEMSA has included REMIL operations in Mercosur division results.

Coca-Cola FEMSA Acquired "Agua De Los Angeles"

On July 17, 2008 Coca-Cola FEMSA closed the transaction to acquire the "Agua De Los Angeles" jug water business operation in the Valley of Mexico. "Agua De Los Angeles" sold approximately 21 million unit cases in 2007.

Coca-Cola FEMSA Announced Successful Bond Offering Placement

On January 29, 2009, Coca-Cola FEMSA successfully issued Ps. 2,000 million in 1.1 year maturities at a yield of 28-day TIIE plus 80 basis points. The proceeds from this issuance were used to bolster existing cash reserves and complement expected free cash flow.

Coca-Cola FEMSA and The Coca-Cola Company Jointly Acquire Colombian Brisa Bottled Water Business

On February 27, 2009, Coca Cola FEMSA closed the transaction with Bavaria, a subsidiary of SABMiller, to jointly acquire with The Coca-Cola Company, the Colombian Brisa bottled water business (including the Brisa brand and production assets). Brisa sold 47 million unit cases in 2008 in Colombia. The purchase price of US\$92 million was shared equally by Coca-Cola FEMSA and The Coca-Cola Company.

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

In compliance with the provisions of Articles 42 and 43 of the Stock Exchange Market Law in Mexico ("Ley del Mercado de Valores") and the Charter of the Audits Committee, we do hereby inform you about the activities we performed during the year ending on December 31, 2008. In performing our work, we kept in mind the recommendations established in the Code of Corporate Best Practices and the provisions set forth in the Sarbanes-Oxley Act, considering our Company is listed in the U.S. Stock Exchange Market. We met at least quarterly and, based on a work program, we carried out the activities described below:

Internal Control

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

We validated the actions taken by the Company in order to comply with section 404 of the Sarbanes-Oxley Act regarding the self-assessment of internal control performed by the Company and to be reported for year 2008. Throughout this process, we followed up on the preventive and corrective measures implemented for any internal control aspects requiring improvement.

Risk Assessment

We periodically evaluated the effectiveness of the Company Risk Management System, established for its identification, recording, measurement, assessment and administration, considering it appropriate.

We reviewed with the Management and both External and Internal Auditors, the key risk factors that could adversely affect the Company's operations and patrimony, and particularly for its insurance management plan, we requested the support and opinion from independent experts, concluding that the major operative risks have been appropriately defined and contemplated in the existing insurance contracts and plans.

External Auditing

Continuing with the corporate governance best practices of the Company, we recommended the Board of Directors the rotation of the Group and subsidiaries's independent auditor for the fiscal year 2008. For this purpose, we verified their independence and their compliance with the requirements established in the Law. Jointly, we analyzed their approach and work program as well as their coordination with the Internal Audit area.

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

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

Taking into account the Management views, we initiated the evaluation process corresponding to the fiscal year 2008.

Internal Auditing

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

1. We reviewed and approved, in due time, their annual activity program and budget.
2. We received periodical reports regarding the progress of the approved work program, the departures from it they may have had and the causes thereof.
3. We followed up on the remarks and suggestions they issued and their proper implementation.
4. We made sure an annual training plan was implemented.
5. We reviewed the evaluations of the Internal Audit service done by the business units' responsables and the Audit Committee.

The Internal Audit area also took part in the process of identifying risks, establishing controls and testing them, so as to comply with the requirements of Sarbanes-Oxley Law.

Financial Information, Accounting Policies and Reports to Third Parties

We went over corporate quarterly and annual financial statements with the individuals responsible for their preparation and recommended the Board of Directors to approve them and authorize their publication. As a part of this process, we took into account the opinions and remarks from external auditors and made sure the criteria, accounting policies and information used by Management to prepare financial information were all adequate and sufficient and that they were applied consistently with the previous year. As a consequence, the information submitted by the Management does reasonably reflect the Company's financial situation, its operating results and the cash flows for the year ending on December 31, 2008.

We also reviewed the quarterly reports prepared by the Management to be submitted to shareholders and broad public, verifying that such information was prepared through use of the same accounting criteria used to prepare annual information. As a conclusion, we recommend the Board to authorize the publication thereof.

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

We approved the inclusion of new accounting procedures issued by the entities in charge of Mexican accounting standards that came into force in 2008, into corporate accounting policies.

Compliance with Standards, Legal Issues and Contingencies

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

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

Code of Conduct

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

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

Administrative Activities

We held regular Committee meetings with the Management to stay informed of the running of the Company and of any relevant or unusual activities and events. We also met with external and internal auditors, without Management members' attendance, to comment on the way they were doing their work, the constraints they might have met and to facilitate any private communication they might wish to have with the Committee.

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

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

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

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

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

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

Sincerely,


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

Independent Auditors' Report

THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES:

We have audited the accompanying consolidated balance sheet of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries as of December 31, 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year 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 audit. The consolidated financial statements for the years ended December 31, 2007 and 2006 were audited by other auditors whose report dated February 25, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in accordance with Mexican Financial Reporting Standards. 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries at December 31, 2008, and the consolidated results of their operations, changes in stockholders' equity and cash flows for the year then ended, in conformity with Mexican Financial Reporting Standards.

As mentioned in Note 2 a) to the accompanying financial statements, as of January 1, 2008, the Company adopted Mexican Financial Reporting Standard B-2, Statement of Cash Flows. The application of this standard is prospective and therefore, the statement of cash flows is not comparable to the accompanying statements of changes in financial position. The Company also adopted the new Mexican Financial Reporting Standards pronouncements that came into force in 2008 and which are described in Note 2 to the accompanying financial statements.

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



C.P.C. Víctor Luis Soulé García
Monterrey, N.L., Mexico
March 5, 2009

Consolidated Balance Sheets

FOMENTO ECONOMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

At December 31, 2008 and December 31, 2007. Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.).

	2008		2007
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 659	Ps. 9,110	Ps. 10,456
Accounts receivable	778	10,759	9,329
Inventories	945	13,065	10,037
Recoverable taxes	213	2,951	1,699
Investment in shares available for sale	—	—	684
Other current assets	226	3,132	1,280
Total current assets	2,821	39,017	33,485
Investments in shares	142	1,965	1,863
Property, plant and equipment	4,441	61,425	54,707
Bottles and cases	270	3,733	3,125
Intangible assets	4,721	65,299	60,234
Deferred taxes asset	90	1,247	1,264
Other assets	893	12,354	11,117
TOTAL ASSETS	\$ 13,378	Ps. 185,040	Ps. 165,795

Consolidated Balance Sheets

FOMENTO ECONOMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

At December 31, 2008 and December 31, 2007. Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.).

	2008		2007
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Bank loans	\$ 419	Ps. 5,799	Ps. 3,447
Current portion of long-term debt	423	5,849	5,917
Interest payable	27	376	475
Suppliers	1,209	16,726	13,657
Accounts payable	420	5,804	4,658
Taxes payable	292	4,044	3,658
Other current liabilities	398	5,496	1,705
Total current liabilities	3,188	44,094	33,517
Long-Term Liabilities:			
Bank loans and notes payable	2,329	32,210	30,665
Labor liabilities	209	2,886	3,718
Deferred taxes liability	174	2,400	3,584
Contingencies and other liabilities	473	6,555	4,658
Total long-term liabilities	3,185	44,051	42,625
Total liabilities	6,373	88,145	76,142
Stockholders' Equity:			
Minority interest in consolidated subsidiaries	2,030	28,074	25,075
Majority interest:			
Capital stock	387	5,348	5,348
Additional paid-in capital	1,486	20,551	20,612
Retained earnings from prior years	2,814	38,929	38,108
Net income	485	6,708	8,511
Cumulative other comprehensive loss	(197)	(2,715)	(8,001)
Majority interest	4,975	68,821	64,578
Total stockholders' equity	7,005	96,895	89,653
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 13,378	Ps. 185,040	Ps. 165,795

The accompanying notes are an integral part of these consolidated balance sheets.
Monterrey, N.L., Mexico, February 25, 2009.



José Antonio Fernández Carbajal
Chief Executive Officer



Javier Astaburuaga Sanjines
Chief Financial Officer

Consolidated Income Statements

FOMENTO ECONOMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

For the years ended December 31, 2008, 2007 and 2006. Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.), except for data per share. ⁽¹⁾

	2008		2007	2006
Net sales	\$ 12,086	Ps. 167,171	Ps. 147,069	Ps. 135,647
Other operating revenues	61	851	487	473
Total revenues	12,147	168,022	147,556	136,120
Cost of sales	6,535	90,399	79,739	73,338
Gross profit	5,612	77,623	67,817	62,782
Operating expenses:				
Administrative	689	9,531	9,121	8,873
Selling	3,283	45,408	38,960	35,272
	3,972	54,939	48,081	44,145
Income from operations	1,640	22,684	19,736	18,637
Other expenses, net	(172)	(2,374)	(1,297)	(1,650)
Integral result of financing:				
Interest expense	(356)	(4,930)	(4,721)	(4,469)
Interest income	43	598	769	792
Foreign exchange (loss) gain, net	(122)	(1,694)	691	(217)
Gain on monetary position, net	47	657	1,639	1,488
Market value (loss) gain on ineffective portion of derivative financial instruments	(105)	(1,456)	69	(113)
	(493)	(6,825)	(1,553)	(2,519)
Income before income taxes	975	13,485	16,886	14,468
Income taxes	304	4,207	4,950	4,608
Consolidated net income	\$ 671	Ps. 9,278	Ps. 11,936	Ps. 9,860
Net majority income	485	6,708	8,511	7,127
Net minority income	186	2,570	3,425	2,733
Consolidated net income	\$ 671	Ps. 9,278	Ps. 11,936	Ps. 9,860
Net majority income (U.S. dollars and Mexican pesos):				
Per Series "B" share	\$ 0.02	Ps. 0.33	Ps. 0.42	Ps. 0.36
Per Series "D" share	\$ 0.03	Ps. 0.42	Ps. 0.53	Ps. 0.44

(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 income statements.

Consolidated Statement of Cash Flows

FOMENTO ECONOMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

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

	2008	
Cash Flow Generated by (Used in) Operating Activities:		
Income before income taxes	\$ 975	Ps. 13,485
Non-cash operating expenses	67	930
Other adjustments regarding operating activities	101	1,390
Adjustments regarding investing activities:		
Depreciation	398	5,508
Amortization	185	2,560
Loss on sale of long-lived assets	13	185
Write-off of long-lived assets	36	502
Interest income	(43)	(598)
Adjustments regarding financing activities:		
Interest expenses	356	4,930
Foreign exchange loss, net	122	1,694
Gain on monetary position, net	(47)	(657)
Market value loss on ineffective portion of derivative instruments	105	1,456
	2,268	31,385
Accounts receivable	(27)	(367)
Inventories	(210)	(2,900)
Other assets	3	35
Suppliers and other payable accounts	116	1,599
Other liabilities	47	653
Labor liabilities	(42)	(587)
Income taxes paid	(488)	(6,754)
Net cash flows provided by operating activities	1,667	23,064
Cash Flow Generated by (Used in) from Investment Activities:		
REMIL acquisition	(263)	(3,633)
Other acquisitions	(17)	(233)
Interest received	43	598
Long-lived assets acquisition	(736)	(10,186)
Long-lived assets sale	39	541
Other assets	(250)	(3,460)
Bottles and cases	(72)	(990)
Intangible assets	(50)	(697)
Net cash flows used in investment activities	(1,306)	(18,060)
Net cash flows available for financing activities	361	5,004
Cash Flow Generated by (Used in) Financing Activities:		
Resources from bank loans	1,630	22,545
Bank loans payments	(1,496)	(20,693)
Interest paid	(414)	(5,733)
Dividends paid	(149)	(2,065)
Acquisition of minority interest	(16)	(223)
Other liabilities	1	9
Net cash flows used in financing activities	(444)	(6,160)
Decrease in cash and cash equivalents	(83)	(1,156)
Translation and restatement effects	7	97
Initial cash	773	10,694
Initial restricted cash	(17)	(238)
Initial balance, net	756	10,456
Restricted cash of the year	(21)	(287)
Ending balance, net	\$ 659	Ps. 9,110

The accompanying notes are an integral part of this consolidated statement of cash flows.

Consolidated Statements of Changes in Financial Position

FOMENTO ECONOMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

<i>For the years ended December 31, 2007 and 2006. Amounts expressed in millions of constant Mexican pesos (Ps.).</i>	2007	2006
Resources Generated by (Used in) Operating Activities:		
Consolidated net income	Ps. 11,936	Ps. 9,860
Depreciation	4,930	4,954
Amortization and other non-cash charges	3,182	3,154
Impairment of long-lived assets	93	208
Deferred income taxes	(239)	78
	19,902	18,254
Working capital:		
Accounts receivable	(1,536)	(557)
Inventories	(1,812)	(1,153)
Recoverable taxes, net	453	(568)
Other current assets and investment in shares available for sale	(668)	(173)
Suppliers and other current liabilities	1,987	1,403
Interest payable	14	25
Labor liabilities	(318)	(297)
Net resources generated by operating activities	18,022	16,934
Resources Generated by (Used in) Investing Activities:		
Sale of minority interest	415	—
Property, plant and equipment	(6,015)	(5,281)
Other assets	(4,472)	(3,086)
Investment in shares	(1,040)	74
Bottles and cases	(861)	(696)
Intangible assets	(336)	(433)
Other business acquisitions	(128)	(165)
Acquisition of Coca-Cola FEMSA minority interest	—	(4,801)
Acquisitions by FEMSA Cerveza	—	(1,421)
Net resources used in investing activities	(12,437)	(15,809)
Resources Generated by (Used in) Financing Activities:		
Bank loans obtained	9,660	9,404
Bank loans paid	(10,851)	(4,292)
Amortization in real terms of long-term liabilities	(1,202)	(1,213)
Dividends declared and paid	(1,909)	(1,459)
Contingencies and other liabilities	(45)	(3,906)
Cumulative translation adjustment	446	(213)
Net resources used in financing activities	(3,901)	(1,679)
Cash and cash equivalents:		
Net increase (decrease)	1,684	(554)
Cash received in acquisitions	6	55
Initial balance	8,766	9,265
Ending balance	Ps. 10,456	Ps. 8,766

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

Consolidated Statements of Changes in Stockholders' Equity

<i>For the years ended December 31, 2008, 2007 and 2006. Amounts expressed in millions of Mexican pesos (Ps.).⁽¹⁾</i>	Capital Stock	Additional Paid-in Capital
Balances at December 31, 2005	Ps. 5,348	Ps. 22,246
Transfer of prior year net income		
Dividends declared and paid		
Acquisition of Kaiser minority interest		
Acquisition of FEMSA Cerveza minority interest		(80)
Acquisition of Coca-Cola FEMSA minority interest		(1,609)
Comprehensive income		
Balances at December 31, 2006	5,348	20,557
Transfer of prior year net income		
Dividends declared and paid		
Sale of minority interest		55
Acquisition of FEMSA Cerveza minority interest		
Comprehensive income		
Balances at December 31, 2007	5,348	20,612
Transfer of prior year net income		
Change in accounting principles (see Note 2 B and D)		
Dividends declared and paid		
Acquisitions of Coca-Cola FEMSA minority interest		(61)
Other transactions of minority interest		
Comprehensive income		
Balances at December 31, 2008	Ps. 5,348	Ps. 20,551

*(1) Amounts as of December 31, 2007, 2006 and 2005 are expressed in millions of Mexican pesos as of the end of December 31, 2007 (see Note 2).
The accompanying notes are an integral part of these consolidated statements of changes in stockholders' equity.*

Retained Earnings from Prior Years	Net Income	Cumulative Other Comprehensive Loss	Majority Interest	Minority Interest in Consolidated Subsidiaries	Total Stockholders' Equity
Ps. 27,633	Ps. 5,951	Ps. (8,778)	Ps. 52,400	Ps. 21,998	Ps. 74,398
5,951	(5,951)		—	—	—
(1,055)			(1,055)	(404)	(1,459)
			—	467	467
			(80)	(95)	(175)
			(1,609)	(3,192)	(4,801)
	7,127	(129)	6,998	2,780	9,778
32,529	7,127	(8,907)	56,654	21,554	78,208
7,127	(7,127)		—	—	—
(1,525)			(1,525)	(384)	(1,909)
			55	360	415
(23)			(23)	(16)	(39)
	8,511	906	9,417	3,561	12,978
38,108	8,511	(8,001)	64,578	25,075	89,653
8,511	(8,511)		—	—	—
(6,070)		6,424	354	—	354
(1,620)			(1,620)	(445)	(2,065)
			(61)	(162)	(223)
	6,708	(1,138)	5,570	91	91
				3,515	9,085
Ps. 38,929	Ps. 6,708	Ps. (2,715)	Ps. 68,821	Ps. 28,074	Ps. 96,895

For the years ended December 31, 2008, 2007 and 2006.

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 produces and distributes different brands of beer, of which the five most important are: Tecate, Tecate Light, Sol, Carta Blanca and Indio. Since January 2006, FEMSA Cerveza produces, distributes and markets beer in Brazil through Cervejarias Kaiser Brasil, S.A. ("Kaiser") which operates eight breweries in this country. Kaiser produces different beer brands of which the most important are Kaiser, Bavaria and Sol (see Note 5 C).
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 directly or indirectly owns a majority of the outstanding voting capital stock and/or exercises control. All intercompany account balances and transactions have been eliminated in such 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 13.8320 pesos per U.S. dollar as of December 31, 2008.

The presentation of the accompanying consolidated income statements as of December 31, 2008, 2007 and 2006 is in accordance with the general criteria established in the B-3 "Income Statement," and in the Interpretation of the NIF 4 "Presentation of Employee Profit Sharing in the Income Statement"; both rules came into effect on January 1, 2007. NIF B-3 does not require the inclusion of the income from operations line in the income statement, which is the result of subtracting cost of sales and operating expenses from total revenues; however, it has been included for a better understanding of the Company's financial and economic performance. The Company classifies its costs and expenses by function in the income statement, in order to attend the industry's practices where the Company operates.

Figures presented as of December 31, 2006, have been restated and translated as of December 31, 2007, which is the date of the last recognition of the effects of inflation in the financial information.

The consolidated financial statement as of December 31, 2007 presents certain reclassifications for comparable purposes, that do not affect the reasonability of the information originally presented.

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

On February 25, 2009, the Board of Directors of FEMSA unanimously approved the issuance of the accompanying consolidated financial statements and these notes, and on March 25, 2009 the stockholders will ratify these consolidated financial statements at the ordinary stockholders' meeting of FEMSA.

On January 1, 2008, several rules of financial information applicable to Mexico came into effect, and they impact the recording and the presentation of financial information. Such changes and their application are described as follows:

A) 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 as of the end of December 31, 2008. For the years ended December 31, 2007 and 2006, 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.

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

In 2008, the Company adopted NIF B-10 "Effects of Inflation." Before 2008, the Company restated prior years 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.

As of December 31, 2008, the operations of the Company are classified as follows considering the cumulative inflation of the three preceding years:

	Cumulative Inflation 2005–2007	Type of Economy
Mexico	11.6%	Non-inflationary
Guatemala	24.6%	Non-inflationary
Colombia	16.0%	Non-inflationary
Brazil	13.5%	Non-inflationary
Panama	12.3%	Non-inflationary
Venezuela	63.8%	Inflationary
Nicaragua	39.9%	Inflationary
Costa Rica	38.3%	Inflationary
Argentina	33.8%	Inflationary

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 the end 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 impact significantly the consolidated financial position of the Company.

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

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

D) 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 canceled amounted to Ps. 1,510, from which Ps. 948 corresponds to the intangible asset and Ps. 354 to the 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 of December 31, 2008, 2007 and 2006, labor costs of past services amounted to Ps. 221, Ps. 146 and Ps. 97, respectively; and were recorded within the operating income.

During 2007 actuarial gains and losses of severance indemnities were amortized during the personnel 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 were recorded in other expenses and amounted to Ps. 198.

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 then 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	Currency	Local Currencies to Mexican Pesos	
		Average Exchange Rate for 2008	Exchange Rate as of December 31, 2008
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	1.47	1.74
Costa Rica	Colon	0.02	0.02
Panama	U.S. dollar	11.09	13.54
Colombia	Colombian peso	0.01	0.01
Nicaragua	Cordoba	0.57	0.68
Argentina	Argentine peso	3.50	3.92
Venezuela ⁽¹⁾	Bolivar	5.20	6.30
Brazil	Reai	6.11	5.79

(1) Equals 2.150 bolivars per one U.S. dollar, translated to Mexican pesos applying the average exchange rate or period-end rate.

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 loss.

The government of Venezuela established a fixed exchange rate control of 2.150 bolivars per U.S. dollar, which is the rate used to translate the financial statements of its Venezuelan subsidiaries.

Intercompany financing balances with foreign subsidiaries are considered as long-term investments, since there is no plan to pay such financing in the short term. 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).

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.

The significant accounting policies are as follows:

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

The Company recognizes the effects of inflation in the financial information of its subsidiaries that operate in inflationary economic environments, through the integral method, which consists of (see Note 2 B):

- Restating non-monetary assets such as inventories, fixed assets, intangible assets, including related costs and expenses when such assets are consumed or depreciated;
- Restating capital stock, additional paid-in capital and retained earnings by the necessary amount to maintain the purchasing power equivalent in Mexican pesos on the dates such capital was contributed or income was generated up to the date of these consolidated financial statements are presented, through the use of the appropriate inflation factors; and
- Including in the Integral Result of Financing the gain or loss on monetary position (see Note 4 Q).

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

B) 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 brokerage houses recorded at its acquisition cost plus interests income not yet received, which is similar to listed market prices with original maturities of three months or less. As of December 31, 2008 and 2007, cash equivalents amounted to Ps. 4,585 and Ps. 6,125, respectively.

C) Inventories and Cost of Sales:

Inventories are recorded according to Bulletin C-4 "Inventories" basis. Bulletin C-4 proposes methodologies such as average cost, first-in first-out (FIFO) and retailer for inventory valuation. Each Subholding Company uses the most appropriate method to value their inventories. Advances to suppliers of raw materials are included in the inventory account.

Cost of sales 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 (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 inter- and intra-plant transfer costs.

D) 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 R).

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. 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, 2008 and 2007, the Company has restricted cash which is pledged as collateral of accounts payable in different currencies. The restricted cash is presented as part of other current assets due to its short-term nature.

	2008		2007
Venezuelan bolivars	Ps. 337	Ps.	224
Mexican pesos	134		—
Brazilian reais	54		14
	Ps. 525	Ps.	238

E) Bottles and Cases:

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, 2008, 2007 and 2006, breakage expense amounted to Ps. 718, Ps. 766 and Ps. 737, 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.

FEMSA Cerveza's returnable bottles and cases that have been placed in the hands of customers are subject to an agreement with a retailer pursuant to which FEMSA Cerveza 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.

Coca-Cola FEMSA'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 amortized over their useful lives.

F) Investments in Shares:

Investments in shares of associated companies where the Company exercises significant influence are initially recorded at their acquisition cost and are subsequently accounted for using the equity method. Investments in affiliated companies in which the Company does not have significant influence are recorded at acquisition cost. Investments in affiliated companies that have an observable market value are adjusted to it.

G) Property, Plant and Equipment:

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction. The integral result of financing generated by debt used to fund long-term assets investment is capitalized as part of the total acquisition cost. Routine maintenance and repair costs are expensed as incurred.

Investments in progress integrates property, plant and equipment not yet in service, in other words, that are not yet used for the purpose that they were bought or built, and do not exceed a 12-month period.

Depreciation is computed using the straight-line method, reduced by their residual values. The Company estimates depreciation rates, considering the estimated remaining useful lives of the assets.

In 2006, the Company implemented a program to review the estimated useful life of its refrigeration equipment. From 2006 and during 2007, the Company's subsidiaries in Mexico, Argentina, Brazil, Colombia, Costa Rica and Guatemala changed their accounting estimate of useful life of refrigeration equipment from five to seven years, considering the maintenance and replacement plans of the equipment. The impact of this change, which was accounted for prospectively, was a reduction in depreciation expense of Ps. 115 and Ps. 132, for the years ended December 31, 2007 and 2006, respectively. The useful life of refrigeration equipment in Venezuela, Panama and Nicaragua remains at five years.

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

H) 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 97% 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 3% 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 the years ended December 31, 2008, 2007 and 2006, amounted to Ps. 1,477, Ps. 1,360 and Ps. 1,439, 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, 2008, 2007 and 2006 were Ps. 668, Ps. 581 and Ps. 512, respectively.

I) 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:

- Start-up expenses, which represent costs incurred prior to the opening of OXXO stores, including rent, permits and licenses. Such amounts are amortized on a straight-line basis in accordance with the terms of the lease contract.
- Information technology and management systems costs incurred during the development stage. Such amounts are amortized using the straight-line method over four years. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.
- Systems in development costs, that will add value such as income or cost savings, that are expected to occur in the future. Such amounts are amortized on a straight-line basis in accordance with the terms in which benefits will compensate the total investment.

Intangible assets with indefinite lives are not amortized and are subject to annual impairment tests. 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. In countries with inflationary economic environments, 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 bottlers outside the United States of America for the sale of concentrate for certain Coca-Cola trademark beverages. The bottler agreements for Mexico expire in 2013 for two territories and 2015 for one territory, renewable in each case for ten-year terms; for Guatemala, Costa Rica, Nicaragua, Panama (other beverages) and Colombia expire on March 31, 2009, pursuant to letters of extension. These bottler agreements are renewable as agreed between the parties. The bottler agreement for Coca-Cola trademark beverages for Panama has an indefinite term but may be terminated with six months prior written notice by either party. The bottler agreement for Coca-Cola trademark beverages for Venezuela expires on March 31, 2009, based on an agreement subject to the execution of a formal extension letter. The bottler agreement for Argentina expires in 2014, renewable for a ten-year term. The bottler agreement for Brazil expired in December 2004. For the expired agreements and the agreements expiring this year, Coca-Cola FEMSA is currently in the process of negotiating renewals of their agreements on similar terms and conditions as the rest of the countries. Coca-Cola FEMSA and The Coca-Cola Company will continue operating under the terms of the existing agreements;
- 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 the 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 an intangible asset. Goodwill is recorded in the functional currency of the subsidiary in which the investment was made and is translated to pesos at the year-end exchange rate. In countries with inflationary economic environments, 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, 2008, the Company's recorded goodwill resulted from the Kaiser acquisition.

J) Impairment of Long-Lived Assets:

The Company reviews the carrying value of its long-lived assets 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 fair value of the long-lived asset.

For long-lived assets depreciable and amortizable, such as property, plant and equipment and other assets, the Company 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, 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 are recognized in other expenses.

K) 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 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 investment program are recorded as a reduction of the investment in refrigeration equipment. Total contributions received were Ps. 1,995, Ps. 1,582 and Ps. 1,261 during the years ended December 31, 2008, 2007 and 2006, respectively.

L) Labor Liabilities:

Labor liabilities include obligations for pension and retirement plans, seniority premiums, postretirement medical services and severance indemnity liabilities, all based on actuarial calculations prepared by independent actuaries, using the projected unit credit method.

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.

Through 2007, Bulletin D-3, "Labor Liabilities," required the presentation of labor liabilities financial expenses as part of income from operations. Beginning in 2008, NIF D-3, "Employee's Benefits," allows the presentation of financial expenses from labor liabilities as part of the integral result of financing. As of December 31, 2008, 2007 and 2006, financial expenses regarding labor liabilities presented as part of the integral result of financing were Ps. 257, Ps. 167 and Ps. 170, respectively.

M) Revenue Recognition:

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

- For domestic sales, upon delivery to the customer and once the customer has taken ownership of the goods (FOB destination). 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% as of the end of December 31, 2008 and 97% for the years ended December 31, 2007 and 2006;
- For export sales, upon shipment of goods to customers (FOB shipping point), and transfer of ownership and risk of loss; and
- For 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.

N) 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, 2008, 2007 and 2006, these distribution costs amounted to Ps. 12,135, Ps. 10,601 and Ps. 9,921, 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.

O) Other Expenses:

Other expenses include Employee Profit Sharing ("PTU"), participation in affiliated companies, gains or losses on sales of fixed assets, impairment of long-lived assets, contingencies, 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 integral result of financing.

PTU is applicable to Mexico and Venezuela. In Mexico, employee profit sharing is computed at the rate of 10% of the individual companies 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 earnings, and it is no more than 4 months of salary.

According to the assets and liabilities method, the Company does not expect relevant items to be materialized regarding the deferred PTU calculation. As a result, the Company has not recognized deferred employee profit sharing.

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

P) Income Taxes:

Income tax is charged to results as incurred as well as deferred income taxes. For purposes of recognizing the effects of deferred income taxes in the financial statements, the Company utilizes both prospective and retrospective projections 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 uncertainty as to their realizability.

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.

FEMSA has authorization from the *Secretaría de Hacienda y Crédito Público* (Ministry of Tax and Public Credit) in Mexico to prepare its Mexican income tax and tax on assets returns (up through 2007) on a consolidated basis, which includes the proportional taxable income or loss of its Mexican subsidiaries. The provisions for income taxes of the foreign countries have been determined on the basis of the taxable income of each individual company.

Q) Integral Result of Financing:

The integral result of financing includes:

- Interest: Interest income and expenses are recorded when earned or incurred, respectively, except for interest expenses of 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 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);
- 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 and the net change in the fair value of embedded derivative financial instruments; and
- Gain or Loss on Monetary Position: The gain or loss on monetary position results from the changes in the general level prices 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.

R) Derivative Financial Instruments:

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 type of hedging instrument and the ineffectiveness of the hedge.

As of December 31, 2008 and 2007, the balance in other current assets of derivative financial instruments was Ps. 1,591 and Ps. 266 (see Note 8), and in other assets Ps. 212 and Ps. 42 (see Note 12), respectively. The Company recognized liabilities regarding derivative financial instruments in other current liabilities of Ps. 3,089 and Ps. 317, as of the end of December 31, 2008 and 2007, respectively, and other liabilities of Ps. 1,377 and Ps. 304 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 within stockholders' equity and subsequently reclassified to current earnings at the same time the hedged item is affected. 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 and there are adequate elements for its valuation, the embedded derivative is segregated from the host contract, stated at fair value and is either classified as trading or as a hedge. Changes in the fair value of the embedded derivatives at the closing of each period are recognized in the consolidated results.

S) Cumulative Other Comprehensive Loss:

The cumulative balances of the components of majority other comprehensive loss, net of deferred income taxes, are as follows:

	2008	2007
Cumulative result of holding non-monetary assets (see Note 2 B)	Ps. —	Ps. (6,070)
Unrealized (loss) on cash flow hedges	(1,889)	(240)
Cumulative translation adjustment	(826)	(1,337)
Additional labor liability over unrecognized net transition obligation (see Note 2 D)	—	(354)
	Ps. (2,715)	Ps. (8,001)

The effects of cumulative translation adjustment for 2008 and 2007 were gains of Ps. 511 and Ps. 359, net of deferred income taxes liabilities which amounted to Ps. 1,709 and Ps. 85, respectively (see Note 23 D).

T) Provisions:

Provisions are recognized for obligations that result from a past event that will likely 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.

U) 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 minority interest holder or a third party is recorded as additional paid-in capital.

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 the date of acquisition. 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 and 2006, 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, 2008, shows the acquired operations net of the cash related to those acquisitions.

A) FEMSA:

On November 3, 2006, FEMSA indirectly acquired from The Coca-Cola Company 148,000,000 series "D" shares, which represent 8.02% of the total outstanding equity of Coca-Cola FEMSA for an aggregate amount of Ps. 4,801 paid in cash. This acquisition increased FEMSA's ownership stake in Coca-Cola FEMSA from 45.7% to 53.7% and its voting control from 53.6% to 63.0%. In accordance with Mexican FRS, as this transaction occurred between shareholders and did not impact the net assets of the Company, the payment in excess of the book value of the shares acquired of Ps. 1,609 was recorded in stockholders' equity as a reduction of additional paid-in capital.

B) Coca-Cola FEMSA:

- i) On July 17, 2008, Coca-Cola FEMSA acquired Agua De Los Ángeles, which sales and distributes water within Mexico Valley, for Ps. 206, net of cash received. Based on the purchase price allocation, Coca-Cola FEMSA has identified intangible assets of 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.
- ii) On May 31, 2008, Coca-Cola FEMSA completed in Brazil the franchise acquisition of Minas Gerais Ltda., "REMIL," for Ps. 3,633 net of cash received, and assumed liabilities for Ps. 1,966. Coca-Cola FEMSA has identified intangible assets of indefinite life of Ps. 2,242 consisting of distribution rights based on the preliminary purchase price allocation.

Acquisition balance of REMIL with preliminary figures as of May 31, 2008:

Total current assets	Ps. 881
Total long-term assets	1,902
Total current liabilities	1,152
Total long-term liabilities	814
Total liabilities	1,966
Total stockholders equity	817
Total liabilities and stockholders equity	Ps. 2,783

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.

- iii)** On January 21, 2008, was amended the spin-off agreement of the Colombian company Industria Nacional de Gaseosas, S.A. (INDEGA, S.A.) integrated only with majority shareholders. As a result of the spin-off of INDEGA, a new Colombian Society named Palo Bajo, S.A. was created, with resources determined by the number of shares held by minority shareholders. The total amount paid to the minority shareholders was Ps. 216.
- iv)** On November 8, 2007, Administración S.A.P.I. de C.V. ("Administración SAPI"), a joint operation owned 50% by Coca-Cola FEMSA and 50% by The Coca-Cola Company, acquired 58,350,908 shares representing 100% of Jugos del Valle, S.A.B. de C.V. ("Jugos del Valle") outstanding stock, for Ps. 4,020 paid in cash and assumed liabilities of Ps. 934. As of December 31, 2007, Coca-Cola FEMSA reported Ps. 684 in investment in shares available for sale.

Subsequent to the initial acquisition of Jugos del Valle by Administración 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 20% of the capital stock of Administración SAPI. This represents the Coca-Cola FEMSA investments in shares after the sale of the 30% of interest 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 and Coca-Cola FEMSA does not have shares available for sale which were paid by the Coca-Cola bottlers.

C) FEMSA Cerveza:

- i)** In June 2006, FEMSA Cerveza acquired a beer distribution operation from a third-party distributor for an aggregate amount of Ps. 900. As a result of the acquisition, FEMSA Cerveza identified and recorded intangible assets with indefinite lives consisting of beer distribution rights valued at Ps. 834 based on the purchase price allocation. No goodwill was recognized as of result of the acquisition.

In 2008, FEMSA Cerveza paid Ps. 54 to acquire other third-party distributor operations. Based on preliminary figures of acquisition balances, FEMSA Cerveza recognized Ps. 45 for beer distribution rights recorded as an intangible asset with indefinite life. As of December 31, 2008, no goodwill has been recognized as a result of this acquisition.

- ii)** On January 13, 2006, FEMSA Cerveza indirectly acquired a controlling stake in Kaiser from Molson Coors Brewing Co. ("Molson Coors") for Ps. 770 paid in cash, which represented 68% of the equity of Kaiser. FEMSA Cerveza assumed Kaiser's existing financial debt, which totaled approximately Ps. 679, and received certain indemnity provisions from Molson Coors for the potential payment of contingent liabilities and claims. Subsequent to the acquisition date, Kaiser paid Ps. 187 regarding such contingencies subject to the Molson Coors indemnifications and FEMSA Cerveza recorded a corresponding receivable for the amounts owed to them. As of December 31, 2008 and 2007, FEMSA Cerveza's receivable from Molson Coors was Ps. 255 and Ps. 228, which include the effects of Brazilian inflation factors (see Note 6).

Subsequently, on December 18, 2006, FEMSA Cerveza indirectly acquired Molson Coors' remaining 14.95% equity interest in Kaiser and paid Ps. 175 in cash. This purchase was accounted for as an equity transaction since it took place between Kaiser's existing shareholders.

On December 22, 2006, FEMSA made an equity contribution of Ps. 2,237 to Kaiser. Heineken NV, the other Kaiser shareholder, did not participate in this equity contribution, and as a result its interest in Kaiser was diluted from 17.05% to 0.17%.

Additionally, on August 31, 2007, FEMSA Cerveza sold 5,308,799,804 common shares of Kaiser to Heineken NV, representing 16.88% of Kaiser's outstanding shares for Ps. 399. FEMSA Cerveza recognized a gain on the sale of Ps. 55, which for purposes of Mexican FRS was recorded in stockholders' equity since the transaction occurred between Kaiser's existing shareholders.

As a result of the acquisition, FEMSA Cerveza identified and recorded intangible assets with indefinite useful lives consisting of trademarks valued at Ps. 758 and goodwill of Ps. 4,044, as determined based on the purchase price allocation.

As of December 31, 2008, FEMSA Cerveza's equity interest in Kaiser represents 82.95% of its outstanding equity.

NOTE 6. ACCOUNTS RECEIVABLE.

	2008	2007
Trade	Ps. 8,162	Ps. 6,841
Allowance for doubtful accounts	(805)	(657)
The Coca-Cola Company	959	719
Notes receivable	647	546
Jugos del Valle ⁽¹⁾	368	589
Molson Coors (see Note 5 C)	255	228
Insurance claims	97	216
Loans to employees	86	63
Travel advances to employees	65	57
Guarantee deposits	60	45
Other	865	682
	Ps. 10,759	Ps. 9,329

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

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

	2008	2007	2006
Opening balance	Ps. 657	Ps. 586	Ps. 519
Provision for the year	387	195	220
Write-off of uncollectible accounts	(237)	(98)	(131)
Restatement of the initial balance	(2)	(26)	(22)
Ending balance	Ps. 805	Ps. 657	Ps. 586

NOTE 7. INVENTORIES.

	2008	2007
Raw materials	Ps. 6,183	Ps. 4,305
Finished products	5,506	4,585
Spare parts	786	720
Work in process	395	309
Advances to suppliers	300	234
Advertising and promotional materials	17	4
Allowance for obsolescence	(122)	(120)
	Ps. 13,065	Ps. 10,037

NOTE 8. OTHER CURRENT ASSETS.

	2008	2007
Derivative financial instruments	Ps. 1,591	Ps. 266
Restricted cash	525	238
Advertising and deferred promotional expenses	309	385
Prepaid leases	196	155
Agreements with customers	136	52
Advances to services suppliers	73	64
Prepaid insurance	42	26
Short-term licenses	23	28
Other	237	66
	Ps. 3,132	Ps. 1,280

The advertising and deferred promotional expenses recorded in the consolidated income statements for the years ended December 31, 2008, 2007 and 2006 amounted to Ps. 5,951, Ps. 5,455 and Ps. 5,123, respectively.

NOTE 9. INVESTMENTS IN SHARES.

Company	Ownership %	2008	2007
FEMSA Cerveza:			
Río Blanco Trust (waste water treatment plant) ⁽¹⁾	19.14%	Ps. 69	Ps. 72
Affiliated companies of Kaiser ⁽²⁾	Various	19	20
Affiliated companies of FEMSA Cerveza ⁽¹⁾	Various	14	220
Other ⁽²⁾	Various	13	13
Coca-Cola FEMSA:			
Jugos del Valle, S.A. de C.V. ⁽¹⁾	20.00%	1,101	978
Holdfab Participações, LTDA ⁽¹⁾	11.05%	181	113
Sucos del Valle Do Brasil LTD ⁽¹⁾⁽³⁾	25.46%	178	—
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") ⁽¹⁾	23.11%	112	115
Industria Mexicana de Reciclaje, S.A. de C.V. ⁽¹⁾	35.00%	79	76
Beta San Miguel, S.A. de C.V. ("Beta San Miguel") ⁽²⁾	2.54%	69	69
KSP Participações, S.A. ⁽¹⁾	38.74%	62	69
Compañía de Servicios de Bebidas Refrescantes S.A. de C.V. ("Salesko") ⁽¹⁾	26.00%	7	51
Other	Various	8	5
Other investments	Various	53	62
		Ps. 1,965	Ps. 1,863

Accounting method:

(1) Equity method.

(2) Restated acquisition cost (there is no readily determinable fair market value).

(3) Investment in shares from Jugos del Valle in Brazil.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT.

	2008	2007
Land	Ps. 8,098	Ps. 7,132
Buildings, machinery and equipment	90,800	83,545
Accumulated depreciation	(46,203)	(42,330)
Refrigeration equipment	10,512	9,343
Accumulated depreciation	(7,146)	(6,847)
Investment in fixed assets in progress	4,335	3,110
Long-lived assets stated at net realizable value	730	655
Other long-lived assets	299	99
	Ps. 61,425	Ps. 54,707

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, which are idle, have been recorded at their estimated net realizable value without exceeding their acquisition cost, as follows:

	2008	2007
Coca-Cola FEMSA	Ps. 394	Ps. 94
FEMSA Cerveza	291	311
FEMSA and others subsidiaries	45	250
	Ps. 730	Ps. 655
Buildings	Ps. 359	Ps. 290
Land	237	365
Equipment	134	—
	Ps. 730	Ps. 655

As a result of selling certain long-lived assets, the Company recognized gains of Ps. 9, Ps. 127 and Ps. 22 for the years ended December 31, 2008, 2007 and 2006, respectively.

NOTE 11. INTANGIBLE ASSETS.

	2008	2007
Unamortized intangible assets:		
Coca-Cola FEMSA:		
Rights to produce and distribute Coca-Cola trademark products	Ps. 46,892	Ps. 42,225
FEMSA Cerveza:		
Trademarks and distribution rights	11,130	11,299
Goodwill	3,821	4,044
Kaiser trademarks	716	758
Other	289	285
Other unamortized intangible assets	499	499
Amortized intangible assets:		
Systems in development costs	578	—
Cost of systems implementation	517	589
Start-up expenses	496	398
Other	361	137
	Ps. 65,299	Ps. 60,234

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

	Investments		Amortization			Estimated Amortization Per Year
	Accumulated at the Beginning of the Year	Additions	Accumulated at the Beginning of the Year	For the Year	Total	
2008						
Systems in development costs	Ps. —	Ps. 578	Ps. —	Ps. —	Ps. 578	Ps. —
Cost of systems implementation	2,093	156	(1,504)	(228)	517	209
Start-up expenses	553	134	(155)	(36)	496	41
2007						
Cost of systems implementation	Ps. 1,892	Ps. 201	Ps. (1,159)	Ps. (345)	Ps. 589	
Start-up expenses	364	189	(107)	(48)	398	

NOTE 12. OTHER ASSETS.

	2008	2007
Leasehold improvements—net	Ps. 4,930	Ps. 4,352
Agreements with customers	4,273	3,786
Long-term licenses	561	411
Long-term accounts receivable	379	383
Advertising and promotional expenses	293	212
Derivative financial instruments	212	42
Tax credits	185	—
Guarantee deposits	163	70
Additional labor liabilities (see Notes 15 and 2 D)	—	948
Other	1,358	913
	Ps. 12,354	Ps. 11,117

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	2008	2007	
Due from The Coca-Cola Company (see Note 4 K) ⁽¹⁾	Ps. 959	Ps.	719
Balance with BBVA Bancomer, S.A. de C.V.	607		250
Due from Promotora Mexicana de Embotelladores, S.A. de C.V. ⁽¹⁾	129		143
Other receivables ⁽¹⁾	433		891
Due to BBVA Bancomer, S.A. de C.V. ⁽²⁾	3,046		1,712
Due to The Coca-Cola Company ⁽³⁾	2,659		3,401
Due to British American Tobacco México ⁽³⁾	128		191
Other payables ⁽³⁾	278		327

(1) Records as part of total of receivable accounts.

(2) Records as part of total bank loans.

(3) Records as part of total payable accounts.

Transactions	2008	2007	2006
Income:			
Sales of cans and aluminum lids to Promotora Mexicana de Embotelladores, S.A. de C.V. ⁽¹⁾	Ps. 1,081	Ps. 1,121	Ps. 1,105
Logistic services to Grupo Industrial Saltillo, S.A. de C.V. ⁽¹⁾	252	242	288
Sales of Grupo Inmobiliario San Agustín, S.A. shares to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. ⁽¹⁾	66	37	—
Other revenues from related parties	408	902	919
Expenses:			
Purchase of concentrate from The Coca-Cola Company	13,518	12,239	10,322
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V. ⁽¹⁾	1,578	1,324	1,034
Purchase of cigarettes from British American Tobacco México ⁽¹⁾	1,439	1,064	775
Advertisement expense paid to The Coca-Cola Company	931	940	933
Purchase of juices from Jugos del Valle, S.A. de C.V.	863	—	—
Interest expense paid to BBVA Bancomer S.A. de C.V. ⁽¹⁾	780	305	257
Purchase of sugar from Beta San Miguel	687	845	536
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V.	525	723	865
Purchase of canned products from IEQSA and CICAN ⁽²⁾	333	518	816
Advertising paid to Grupo Televisa, S.A.B. ⁽¹⁾	253	178	165
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V. ⁽¹⁾	113	164	201
Interest expense paid to Deutsche Bank (Mexico) ⁽¹⁾	85	—	—
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. ⁽¹⁾	83	31	41
Donations to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. ⁽¹⁾	79	108	92
Purchase of plastic bottles from Embotelladora del Atlántico, S.A. (formerly Complejo Industrial Pet, S.A.)	42	37	34
Donations to Difusión y Fomento Cultural, A.C. ⁽¹⁾	29	32	19
Interest expense paid to The Coca-Cola Company	27	29	65
Other expenses with related parties	43	3	—

(1) 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.

(2) 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:

	2008	2007	2006
Short- and long-term benefits paid	Ps. 1,348	Ps. 1,290	Ps. 1,098
Severance indemnities	11	17	13
Postretirement benefits (labor cost)	32	29	31

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 recording, functional or reporting currency of each reporting unit. As of the end of December 31, 2008, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos are as follows:

	U.S. Dollars	Other Currencies	Total
Assets			
Short-term	Ps. 4,372	Ps. 112	Ps. 4,484
Long-term	315	—	315
Liabilities			
Short-term	8,110	—	8,110
Long-term	6,194	120	6,314

Transactions	U.S. Dollars	Other Currencies	Total
Revenues	Ps. 5,270	Ps. 933	Ps. 6,203
Expenses:			
Purchases of raw materials	12,746	184	12,930
Interest expense	2,363	—	2,363
Assets acquisitions	1,176	715	1,891
Export expenses	744	—	744
Other	1,726	85	1,811
	Ps. 18,755	Ps. 984	Ps. 19,739

As of February 25, 2009, issuance date of these consolidated financial statements, the exchange rate published by "Banco de México" was Ps. 14.8528 Mexican pesos per one U.S. Dollar, and the foreign currency position was similar to that as of December 31, 2008.

NOTE 15. LABOR LIABILITIES.

On January 1, 2008, NIF D-3, "Employee Benefits," came into effect, and established the following changes:

- i) Incorporates in its legislation, the current and deferred PTU, and establishes that the deferred should be determined in accordance with NIF D-4, and
- ii) Includes the wage career concept, and the amortization period of labor cost of past services is modified as follows:
 - Items are amortized over a 5-year period, or less, if employees' remaining labor life is less than the:
 - Beginning balance of the labor cost of past services for severance and retirement benefits;
 - Beginning balance of past service cost and amendments to the plan;
 - Beginning balance of actuarial gains and losses from severance benefits, as part of the other expenses; and
 - Beginning balance of actuarial gains and losses from retirement benefits, should be amortized over a 5-year period (net labor cost of past services), with the option to fully amortize such item against the results of 2008.

These changes will have an effect on the value of the liability, because an additional liability will not be recognized, nor the effect on the Income Statement for the change in the amortization period from the reduction to 5 years, in some liabilities accounts.

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).

In December 2006, the Company approved a change to its pension and retirement plans effective in 2007. Through December 2006, the Company's pension and retirement plans provided for lifetime monthly payments as a complement to the pension payment received from the Mexican Social Security Institute (Instituto Mexicano del Seguro Social or "IMSS"). The modified pension and retirement plans provide for one lump-sum benefit payment in addition to the pension benefits received from the IMSS, which will supplement the beneficiary's earnings.

Additionally, FEMSA modified the long-term assumptions used in the actuarial calculations for its Mexican subsidiaries in 2006. The discount rate was reduced from 6.0% to 4.5% based on changes in the Company's revised estimate of current prices for settling its related obligations as a result of recent stability reflected by the Mexican economy. The expected salary increase was reduced from 2.0% to 1.5% based on changes in the estimated future compensation of its Mexican employees. The expected return on plan assets was reduced from 6.0% to 4.5% based on returns currently being earned by plan assets and the rates of return expected to be available for reinvestment in the future.

The net effect in 2006 of the changes mentioned above was an increase in pension and retirement plan, seniority premium and severance indemnity liabilities of Ps. 797, Ps. 19 and Ps. 23, respectively. These changes were accounted as labor cost of past services and unrecognized actuarial net losses, which will be amortized over the expected service period of the Company's personnel.

A) Assumptions:

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⁾
Annual discount rate	8.2%	4.5%
Salary increase	5.1%	1.5%
Return on assets	11.3%	4.5%

Measurement date: December 2008

(1) For non-inflationary economies.

(2) For inflationary economies.

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
2009	Ps. 512	Ps. 17	Ps. 25	Ps. 158
2010	313	16	25	129
2011	369	18	25	119
2012	305	21	26	113
2013	341	22	27	108
2014 to 2019	1,730	198	203	563

B) Balances of the Liabilities:

	2008	2007
Pension and retirement plans:		
Vested benefit obligation	Ps. 3,122	Ps. 2,373
Non-vested benefit obligation	3,091	2,792
Defined benefit obligation	6,213	5,165
Excess of defined benefit obligation over accumulated benefit obligation	—	422
Defined benefit obligation	6,213	5,587
Pension plan funds at fair value	(2,660)	(2,806)
Unfunded defined benefit obligation	3,553	2,781
Labor cost of past services ⁽¹⁾	(1,113)	(1,177)
Unrecognized actuarial net (loss) gain	(554)	38
	1,886	1,642
Additional labor liability	—	915
Total	1,886	2,557
Seniority premiums:		
Vested benefit obligation	8	92
Non-vested benefit obligation	261	137
Defined benefit obligation	269	229
Excess of defined benefit obligation over accumulated benefit obligation	—	25
Unfunded defined benefit obligation	269	254
Labor cost of past services ⁽¹⁾	(8)	(9)
Unrecognized actuarial net loss	(13)	(57)
	248	188
Additional labor liability	—	60
Total	248	248
Postretirement medical services:		
Vested benefit obligation	443	295
Non-vested benefit obligation	538	451
Defined benefit obligation	981	746
Medical services funds at fair value	(92)	(96)
Unfunded defined benefit obligation	889	650
Labor cost of past services ⁽¹⁾	(43)	(39)
Unrecognized actuarial net loss	(482)	(306)
Total	364	305
Severance indemnities:		
Accumulated benefit obligation	729	609
Excess of defined benefit obligation over accumulated benefit obligation	—	38
Defined benefit obligation	729	647
Labor cost of past services ⁽¹⁾	(339)	(450)
Unrecognized actuarial net loss	(2)	(124)
	388	73
Additional labor liability	—	535
Total	388	608
Total labor liabilities	Ps. 2,886	Ps. 3,718

(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 current year.

C) Trust Assets:

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

	2008	2007
Fixed Return:		
Publicly traded securities	16%	22%
Bank instruments	10%	17%
Federal government instruments	53%	31%
Variable Return:		
Publicly traded	21%	30%
	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:

	2008		2007	
Debt:				
Deutsche Bank (Mexico) ⁽¹⁾	Ps.	58	Ps.	26
CEMEX, S.A.B. de C.V. ⁽¹⁾		57		51
BBVA Bancomer, S.A. de C.V. ⁽¹⁾		41		29
Sigma Alimentos, S.A. de C.V. ⁽¹⁾		29		40
British American Tobacco Mexico ⁽¹⁾		—		16
Valores Mexicanos Casa de Bolsa, S.A. de C.V. ⁽¹⁾		—		8
Coca-Cola FEMSA		2		2
Capital:				
FEMSA		181		177
CEMEX, S.A.B. de C.V. ⁽¹⁾		—		135
Grupo Televisa, S.A.B. ⁽¹⁾		—		84

(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.

D) Cost for the Year:

	2008		2007	2006
Pension and retirement plans:				
Labor cost	Ps.	229	Ps.	210
Interest cost		437		235
Expected return on trust assets		(307)		(129)
Labor cost of past services ⁽¹⁾		105		102
Amendments to plan		90		120
Amortization of net actuarial loss		15		1
		569		539
Seniority premiums:				
Labor cost		33		30
Interest cost		20		10
Labor cost of past services ⁽¹⁾		2		2
Amendments to plan		6		1
Amortization of net actuarial loss		20		3
		81		46

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

	2008	2007	2006
Postretirement medical services:			
Labor cost	Ps. 27	Ps. 27	Ps. 20
Interest cost	59	32	36
Expected return on trust assets	(10)	(6)	(4)
Labor cost of past services ⁽¹⁾	10	4	4
Amendments to plan	15	4	—
Amortization of net actuarial loss	13	13	10
	114	74	66
Severance indemnities:			
Labor cost	99	66	85
Interest cost	58	26	34
Labor cost of past services ⁽¹⁾	104	38	35
Amortization of net actuarial loss	178	—	—
	439	130	154
	Ps. 1,203	Ps. 789	Ps. 551

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

E) Changes in the Balance of the Obligations:

	2008	2007
Pension and retirement plans:		
Initial balance	Ps. 5,587	Ps. 5,343
Labor cost	229	210
Interest cost	437	235
Amendments to plan	90	120
Actuarial (gain) loss	149	(62)
Benefits paid	(279)	(259)
Ending balance	6,213	5,587
Seniority premiums:		
Initial balance	254	245
Labor cost	33	30
Interest cost	20	10
Amendments to plan	6	1
Actuarial (gain) loss	(24)	2
Benefits paid	(20)	(34)
Ending balance	269	254
Postretirement medical services:		
Initial balance	746	731
Labor cost	27	27
Interest cost	59	32
Amendments to plan	15	4
Actuarial loss	187	12
Benefits paid	(53)	(60)
Ending balance	981	746
Severance indemnities:		
Initial balance	647	588
Labor cost	99	66
Interest cost	58	26
Actuarial loss	11	88
Benefits paid	(86)	(121)
Ending balance	729	647

F) Changes in the Balance of the Trust Assets:

	2008	2007
Pension and retirement plans:		
Initial balance	Ps. 2,806	Ps. 2,779
Actual return on trust assets	(144)	110
Contributions	—	78
Benefits paid	(2)	(161)
Ending balance	2,660	2,806
Postretirement medical services:		
Initial balance	96	105
Actual return on trust assets	(4)	33
Benefits paid	—	(42)
Ending balance	92	96

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. (324)	Ps. (118)
Cost for the year	(13)	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, 2008, 2007 and 2006, no options have been granted to employees.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. The bonuses are recorded in income from operations and are paid in cash the following year. During the years ended December 31, 2008, 2007 and 2006, the bonus expense recorded amounted to Ps. 1,336, Ps. 1,179 and Ps. 927, 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.

NOTE 17. BANK LOANS AND NOTES PAYABLE.

The following table presents short-term debt consisted principally of revolving bank loans as well as their weighted average interest rates:

	% Interest Rate ⁽¹⁾	2008	% Interest Rate ⁽¹⁾	2007
Loan currencies:				
Mexican pesos	11.6%	Ps. 3,820	7.8%	Ps. 150
Argentine pesos	19.6%	816	11.0%	500
Venezuelan bolivars	22.2%	365	15.7%	425
Colombian pesos	15.2%	798	—	—
U.S. dollar	—	—	6.7%	2,372
		Ps. 5,799		Ps. 3,447

(1) Weighted average rate.

The following table presents long-term bank loans and notes payable, as well as their weighted average rates and derivative financial instruments contracted by the Company:

	% Interest Rate ⁽¹⁾	2008	% Interest Rate ⁽¹⁾	2007
Fixed interest rate:				
U.S. dollars:				
Yankee bond	7.3%	Ps. 3,606	7.3%	Ps. 3,199
Bank loans	5.2%	190	6.0%	747
Capital leases	3.8%	26	—	—
Mexican pesos:				
Bank loans	7.9%	3,536	9.7%	3,586
Units of investment (UDIs)	4.2%	2,692	4.2%	2,508
Notes payable	10.2%	1,500	10.2%	1,500
Japanese yen:				
Bank loans	2.8%	120	4.8%	230
Brazilian reais:				
Bank loans	10.7%	1	—	—
Variable interest rate:				
U.S. dollars:				
Bank loans	2.3%	6,265	5.2%	2,014
Capital leases	—	—	8.5%	2
Mexican pesos:				
Bank loans	9.1%	9,968	8.1%	10,010
Notes payable	8.8%	9,250	8.2%	12,750
Colombian pesos:				
Bank loans	15.4%	905	—	—
Brazilian reais:				
Bank loans	—	—	8.7%	36
Long-term debt		38,059		36,582
Current portion of long-term debt		(5,849)		(5,917)
		Ps. 32,210		Ps. 30,665

Hedging Derivative Financial Instruments	% Interest Rate ⁽¹⁾	2008	% Interest Rate ⁽¹⁾	2007
Interest rate swaps variable to fixed:				
Mexican pesos:				
Notes:		Ps. 10,000		Ps. 14,085
Interest pay rate	9.3%		9.5%	
Interest receive rate	8.7%		8.1%	
Bank loans:		2,640		4,465
Interest pay rate	9.0%		9.4%	
Interest receive rate	9.0%		8.0%	
Cross currency swaps:				
Bank loans from U.S. Dollars to Mexican pesos:		2,429		—
Interest pay rate	8.2%		—	
Interest receive rate	1.3%		—	
Bank loans from Japanese yen to Brazilian reais:		72		230
Interest pay rate	14.4%		11.8%	
Interest receive rate	2.8%		4.8%	

(1) Weighted average rate.

Maturities of long-term debt are as follows:

Current maturities of long-term debt	Ps. 5,849
2009	3,909
2010	4,669
2011	8,716
2012	8,007
2013 and thereafter	6,909
	Ps. 38,059

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 as of 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).

In 2006, Coca-Cola FEMSA implemented strategic restructuring programs in its commercial operations and recognized costs of Ps. 689, which were recorded in other expenses in the December 2006 consolidated income statement. Such costs consisted of Ps. 556 of severance payments associated with an ongoing benefit arrangement and Ps. 133 of other costs related to the restructuring programs. During 2008, Coca-Cola FEMSA recognized Ps. 88 regarding the strategic restructuring programs, which were recorded in other expenses in the consolidated income statement. Such costs consisted of severance payments updates associated with an ongoing benefit arrangement. As of December 31, 2008 and 2007, the payments are Ps. 155 and Ps. 522, respectively.

	2008	2007	2006
Employee profit sharing (see Note 4 O)	Ps. 933	Ps. 553	Ps. 530
Impairment of long-lived assets	502	93	208
Severance payments associated with an ongoing benefit and amendment to pension plan	346	255	866
Amortization of unrecognized actuarial loss, net (see Note 2 D)	198	—	—
Loss on sales of fixed assets	185	101	59
Contingencies	(41)	228	117
Participation in affiliated companies	13	(154)	(11)
Other	238	221	(119)
Total	Ps. 2,374	Ps. 1,297	Ps. 1,650

NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS.

The Company measures the fair value of its derivative financial instruments applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value.

In addition, there are three levels of inputs that may be used to measure fair value which 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 determines the fair value of its financial assets and liabilities based on data classified as level 2. The following table summarizes financial assets and liabilities measured at fair value, as of December 31, 2008:

	Level 2
Derivative financial instruments (asset)	Ps. 1,804
Derivative financial instruments (liability)	4,466
Bank loans	3,110

A) Long-Term Debt:

The fair value of long-term bank loans and syndicated loans 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 long-term notes is based on quoted market prices.

	2008	2007
Carrying value	Ps. 38,059	Ps. 36,582
Fair value	38,000	36,960

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.

At December 31, 2008, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Asset (Liability)
2009	Ps. 1,415	Ps. (28)
2010	862	(75)
2011	1,763	(69)
2012	2,276	(105)
2013	5,245	(23)
2014 to 2017	2,500	16

The net effect of expired derivative contracts is included in current earnings as an interest expense and amounted to Ps. 212, Ps. 357 and Ps. 334 for the years ended December 31, 2008, 2007 and 2006, respectively.

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 integral result of financing. For the years ended December 31, 2008, 2007 and 2006, the net effect of these instruments as of the date of the financial statements was a gain of Ps. 24 and Ps. 35 and a loss of Ps. 39, respectively.

C) Forward Agreements to Purchase Foreign Currency:

The Company entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies. These instruments are recognized in the consolidated balance sheet at their estimated fair value which is determined based on prevailing market exchange rates to end the contracts at the end of the period. The changes in the fair value are recorded in cumulative other comprehensive income. As of December 31, 2008, the Company has forward contracts to buy foreign currencies with a notional amount of Ps. 1,786. These contracts expire in 2009, and as of December 31, 2008, they have generated an asset of Ps. 458.

As of December 31, 2008, the Company recorded a net gains on expired forward contracts of Ps. 115 as part of foreign exchange.

As of December 31, 2008, certain of the Company's forward agreements to buy U.S. dollars and other currencies did not meet the hedging criteria for accounting purposes; consequently, changes in the fair value were recorded in the consolidated results as part of the integral result of financing. The notional amount of those forward agreements to purchase foreign currency maturing in 2009 is Ps. 544 and they generated a loss of Ps. 225. For the years ended December 31, 2008 and 2007, the net effect of expired contracts that did not meet the hedging criteria for accounting purposes was a loss of Ps. 643 and a gain of Ps. 22, respectively, included 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 hedge; consequently, changes in the fair value were recorded as part of cumulative other comprehensive income. As of December 31, 2008, the Company has cross currency swap agreements outstanding with a notional amount of Ps. 2,115 and a fair value asset of Ps. 578. Those contracts mature in 2013.

Additionally, the Company has cross currency swaps designated as fair value hedge. As of the end of December 31, 2008, the Company has contracts with a notional amount of Ps. 2,887 which expire in 2017 and a fair value asset of Ps. 333. 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 and amounted to a loss of Ps. 1. The net effect of expired contracts as of December 31, 2008, 2007 and 2006 was recorded as financial expense an amounted to Ps. 178, Ps. 37 and Ps. 72, respectively.

As of December 31, 2008, certain cross currency swaps instruments did not meet the hedging criteria for accounting purposes; consequently, changes in the estimated fair value are recorded as a gain or loss in the market value on the ineffective portion of derivative financial instruments in the consolidated results as part of the integral result of financing. Those contracts with a notional amount of Ps. 2,302 expire in 2011 and 2012 and the net effect changes in the fair value for the year ended December 31, 2008 amounted to Ps. 468 of a gain recorded in the market value on the ineffective portion of derivative financial instruments. The net effect of expired contracts that did not meet the hedging criteria for accounting purposes is recorded as a market value loss of Ps. 225, a gain of Ps. 64 and a loss of Ps. 3 for the years ended December 31, 2008, 2007 and 2006, respectively. All effects were recorded as part of the ineffective portion of derivative financial instruments.

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 the end of the contracts at the date of closing of the period. Changes in the fair value were recorded in cumulative other comprehensive income. As of December 31, 2008, the Company has commodity price contracts with maturity dates ending in 2009 and 2013, with a notional amount of Ps. 8,755 and had recorded a fair value liability of Ps. 2,955. For the years ended December 31, 2008, 2007 and 2006, the net effect of expired commodity price contracts were a gain of Ps. 17 and losses of Ps. 82 and Ps. 106, respectively, and which were recorded as part of operating income offsetting the related raw material cost.

As of December 31, 2008, certain commodity price contracts did not meet the hedging criteria for accounting purposes; consequently, changes in the estimated fair value are recorded as part of the market value gain (loss) on the ineffective portion of derivative financial instruments within the consolidated income statement. As of the end of December 31, 2008 and 2007, the net effect of those contracts was a loss of Ps. 217 and Ps. 43, respectively. The net effect of expired contracts that do not meet hedging criteria for accounting purposes were losses of Ps. 258 and Ps. 27, as of the end of December 31, 2008 and 2007, respectively.

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 integral result of financing as market value on derivative financial instruments. As of December 31, 2008, 2007 and 2006, the net effect of embedded derivative financial instruments was losses of Ps. 137, Ps. 9 and Ps. 49, respectively.

NOTE 20. MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES.

	2008	2007
Coca-Cola FEMSA	Ps. 27,575	Ps. 24,380
FEMSA Cerveza	464	679
Other	35	16
	Ps. 28,074	Ps. 25,075

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, 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, 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, 2008, 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, 2008, FEMSA's balances of CUFIN amounted to Ps. 47,798.

At the ordinary stockholders' meeting of FEMSA held on April 22, 2008, 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 2008. Additionally, the stockholders approved a reserve for share repurchase of a maximum of Ps. 3,000.

At an ordinary stockholders' meeting of Coca-Cola FEMSA held on April 8, 2008, the stockholders approved a dividend of Ps. 945 that was paid in May 2008. The corresponding payment to the minority interest was Ps. 437.

NOTE 22. NET MAJORITY INCOME PER SHARE.

This represents the net majority 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.

As a result of the stock split on May 25, 2007, earnings per share for previously presented periods has been retroactively restated in accordance with Mexican FRS, Bulletin B-14, "Earnings per Share."

The following presents the computed weighted average number of shares and the distribution of income per share series as of December 31, 2008, 2007 and 2006:

	Millions of Shares			
	Series "B"		Series "D"	
	Number	Weighted Average	Number	Weighted Average
Shares outstanding as of December 31, 2006, 2007 and 2008	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 integral result of financing, the cost of labor liabilities, depreciation and other accounting provisions. The tax loss may be carried forward and applied against future taxable income.

As of December 31, 2008, 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 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 2008 and 2007 and 29% for 2006.

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 38.5% in 2006 to 34% in 2007 and 33% in 2008, and the 5% tax imposed on dividends was eliminated in 2006.

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.

B) Tax on Assets:

Through 2006, the Mexican tax on assets was computed at an annual rate of 1.8% based on the average of certain assets at tax restated value less certain liabilities. 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. Since 2008, the tax on assets has disappeared in Mexico and it is replaced by the Business Flat Tax (Impuesto Empresarial a Tasa Única, "IETU"; see Note 23 C). The amounts paid of tax on assets 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"):

Since 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 ISR 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, as it only recognizes deferred income tax.

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 taxes generated by liabilities (assets) temporary differences are as follows:

Deferred Income Taxes	2008	2007
Allowance for doubtful accounts	Ps. (137)	Ps. (116)
Inventories	137	385
Prepaid expenses	137	120
Property, plant and equipment	5,366	5,325
Investments in shares	(24)	(7)
Intangibles and other assets	(878)	(1,020)
Labor liabilities	(735)	(712)
Derivative financial instruments	(832)	(72)
Loss contingencies	(658)	(568)
Temporary non-deductible provision	(1,170)	(710)
Employee profit sharing payable	(171)	(165)
Recoverable tax on assets	(252)	(375)
Tax loss carryforwards	(4,457)	(3,722)
Valuation allowance for tax loss carryforwards and non-recoverable tax on assets	3,675	3,360
Other reserves	1,152	597
Deferred income taxes, net	1,153	2,320
Deferred income taxes asset	1,247	1,264
Deferred income taxes liability	Ps. 2,400	Ps. 3,584

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

	2008	2007
Initial balance	Ps. 2,320	Ps. 1,943
Loss on monetary position	48	(43)
Tax provision for the year	(2,460)	(239)
Effects in stockholders' equity:		
Additional labor liability over unrecognized net transition obligation	160	(107)
Derivative financial instruments	(722)	193
Cumulative translation adjustment	1,709	85
Restatement effect of beginning balances	98	139
Result of holding non-monetary assets	—	349
Ending balance	Ps. 1,153	Ps. 2,320

E) Provision for the Year:

	2008	2007	2006
Current income taxes	Ps. 6,667	Ps. 4,965	Ps. 4,476
Tax on assets	—	224	54
Deferred income taxes	(2,460)	(239)	95
Change in the statutory income tax rate	—	—	(17)
Income taxes and tax on assets	Ps. 4,207	Ps. 4,950	Ps. 4,608

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 aggregate amounts of such future benefits and their years of expiration are as follows:

Year	Tax Loss Carryforwards		Recoverable Tax on Assets	
2009	Ps.	2	Ps.	—
2010		—		2
2011		—		2
2012		1		14
2013		4		13
2014		101		25
2015		109		1
2016		—		31
2017 and thereafter		1,259		163
No expiration (Brazil, see Note 23 A)		12,006		—
	Ps.	13,482	Ps.	251

Due to the uncertainty related to the realization of certain tax loss carryforwards and recoverable tax on assets, Ps. 10,241 and Ps. 193, respectively, a valuation allowance has not been recorded to reduce the deferred income tax asset associated with such carryforwards. The changes in the valuation allowance and non-recovered tax on asset, which reduce the related deferred tax asset, are as follows:

	2008	2007
Initial balance	Ps. 3,360	Ps. 3,630
Provision	690	321
Cancellation of provision	(213)	(428)
Restatement of the initial balance	(162)	(163)
Ending balance	Ps. 3,675	Ps. 3,360

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

	2008	2007	2006
Mexican statutory income tax rate	28.0%	28.0%	29.0%
Difference between book and tax inflationary effects	(2.2)%	(1.1)%	(0.1)%
Non-deductible expenses	3.3%	1.7%	3.3%
Difference between statutory income taxes rates	2.5%	1.7%	1.2%
Change in Mexican income tax rate	—	—	0.1%
Non-taxable income	(1.0)%	—	(1.5)%
Other	0.6%	(1.0)%	(0.2)%
	31.2%	29.3%	31.8%

NOTE 24. CONTINGENCIES AND COMMITMENTS.**A) 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, 2008:

	Total
Tax	Ps. 1,479
Labor	1,010
Legal	256
Total	Ps. 2,745

B) Changes in the Balance of Contingencies Recorded:

	2008	2007	2006
Initial balance	Ps. 2,642	Ps. 3,239	Ps. 2,646
Provision ⁽¹⁾	1,231	367	6,355
Penalties and other charges	50	147	183
Cancellation	(690)	(932)	(1,712)
Payments	(572)	(278)	(4,673)
Restatement of the initial balance	84	99	440
Ending balance	Ps. 2,745	Ps. 2,642	Ps. 3,239

(1) Includes contingencies related to KAISER acquisition in 2006 and REMIL acquisition in 2008.

C) 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, 2008 is \$465. 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.

D) 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. 2,594 by pledging fixed assets and entering into available lines of credit which cover such contingencies.

E) Commitments:

As of December 31, 2008, 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, 2008, are as follows:

	Mexican Pesos	U.S. Dollars	Other
2009	Ps. 1,458	Ps. 1,604	Ps. 74
2010	1,378	102	77
2011	1,295	59	21
2012	1,215	59	—
2013	1,121	40	—
2014 and thereafter	6,403	206	—
Total	Ps. 12,870	Ps. 2,070	Ps. 172

Rental expense charged to operations amounted to approximately Ps. 2,000, Ps. 1,713 and Ps. 1,543 for the years ended December 31, 2008, 2007 and 2006, respectively.

NOTE 25. INFORMATION BY SEGMENT.

Analytical information by segment is presented considering the geographic areas in which we operate and is presented according to the information used for decision making of the administration.

A) By Business Unit:

	Coca-Cola FEMSA	FEMSA Cerveza	FEMSA Comercio	Other ⁽¹⁾	Consolidation Adjustments	Consolidated
2008						
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	12,880	4,831	2,121	3,232	—	23,064
Net cash flows used in investment activities	(8,263)	(5,928)	(2,718)	(1,151)	—	(18,060)
Net cash flow from financing activities	(5,038)	480	870	(2,472)	—	(6,160)
Long-term assets	79,966	52,058	10,888	10,188	(7,077)	146,023
Total assets	97,958	65,549	17,185	15,599	(11,251)	185,040
2007						
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
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
Long-term assets	69,717	50,562	9,057	12,686	(9,712)	132,310
Total assets	87,178	65,539	14,284	18,743	(19,949)	165,795

(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.

2006	Coca-Cola FEMSA	FEMSA Cerveza	FEMSA Comercio	Other ⁽¹⁾	Consolidation Adjustments	Consolidated
Total revenue	Ps. 64,046	Ps. 37,919	Ps. 36,835	Ps. 7,966	Ps. (10,646)	Ps. 136,120
Intercompany revenue	722	3,911	13	6,000	(10,646)	—
Income from operations	10,293	6,210	1,667	467	—	18,637
Depreciation ⁽²⁾	2,595	1,818	431	110	—	4,954
Amortization	253	2,018	363	36	—	2,670
Other non-cash charges ⁽⁴⁾	143	238	15	88	—	484
Impairment of long-lived assets	79	121	—	8	—	208
Interest expense	2,294	1,735	405	561	(526)	4,469
Interest income	383	228	53	654	(526)	792
Income taxes	2,555	1,476	360	217	—	4,608
Capital expenditures	2,863	4,419	1,943	197	—	9,422

(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:

Beginning in 2008, the Company decided to align disclosures to the way the business is geographically managed. As a result 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.

2008	Total Revenue	Capital Expenditures	Long-Lived Assets	Total Assets
Mexico	Ps. 114,640	Ps. 11,032	Ps. 102,486	Ps. 136,516
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. 146,023	Ps. 185,040

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

2006	Total Revenue	Capital Expenditures
Mexico	Ps. 99,310	Ps. 7,807
Latincentro ⁽¹⁾	11,148	663
Venezuela	7,997	222
Mercosur ⁽²⁾	17,836	730
Consolidation adjustments	(171)	—
Consolidated	Ps. 136,120	Ps. 9,422

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

(2) Includes Brazil and Argentina.

NOTE 26. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET IN EFFECT.**Mexican FRS:**

In December 2008, the following new accounting standards were issued under Mexican FRS the application of which is required as indicated. The Company adopted these standards on January 1, 2009 and has not fully assessed the effect of adopting these new standards on its financial information.

- **NIF B-7, "Business Acquisitions"**

This NIF substitutes NIF B-7 "Business Acquisitions," and establishes general rules for the initial recognition of net assets, non-controlling interests and other items, as of the acquisition date.

According to this statement, purchase and restructuring expenses resulting from acquisition process, should not be part of the consideration, because these expenses are not an amount being shared by the business acquired.

In addition, NIF B-7 requires a company to recognize non-controlling interests in the acquiree at fair value as of the acquisition date.

NIF B-7 is effective for future acquisitions.

- **NIF B-8, "Consolidated or Combined Financial Statements"**

This NIF replaces NIF B-8 "Consolidated Financial Statements," and describes general rules for the preparation, presentation and disclosure of consolidated and combined financial statements.

The main changes of this NIF are as follows: (a) this rule defines "Specific-purpose Entity" (SPE), establishes the cases in which an entity has control over a SPE, and when a company should consolidate this type of entity; (b) addresses that potential voting rights should be analyzed when evaluating the existence of control over an entity; and, (c) set new terms for "controlling interest" instead of "majority interest," and "non-controlling interest" instead of "minority interest."

- **NIF C-7, "Investments in Associates and Other Permanent Investments"**

NIF C-7 describes the accounting treatment for investments in associates and other permanent investments, which were previously treated within NIF B-8 "Consolidated Financial Statements." This NIF requires the recognition of a Specific-Purpose Entity, through equity method. Also, this NIF establishes that potential voting rights should be considered when analyzing the existence of significant influence.

In addition, this rule defines a procedure and a limit for the recognition of losses in an associate.

- **NIF C-8, "Intangible Assets"**

This rule substitutes NIF C-8 "Intangible Assets." The new rule defines intangible assets as non-monetary items and broadens the criteria of identification, indicating that an intangible asset must be separable; this means that such asset could be sold, transferred, or used by the entity. In addition, intangible asset arises from legal or contractual rights, whether those rights are transferable or separable from the entity.

On the other hand, this standard establishes that preoperative costs should be eliminated from the capitalized balance, affecting retained earnings, and without restating prior financial statements.

This amount should be presented as an accounting change in consolidated financial statements.

- **NIF D-8, "Share-Based Payments"**

NIF D-8 establishes the recognition of share-based payments. When an entity purchases goods or pay services with share-based payments, the entity is required to recognize those goods or services at fair value and the corresponding increase in equity. According with NIF D-8, if share-based payments cannot be settled with equity instruments, they have to be settled using an indirect method considering NIF D-8 parameters.

NOTE 27. SUBSEQUENT EVENTS.

On January 28, 2009, Coca-Cola FEMSA placed Ps. 2,000 million in *certificados bursátiles*. A portion of the proceeds from this placement will be used to make a partial payment of the *Certificado Bursátil KOF 03-6*. The remainder will be used by Coca-Cola FEMSA for general corporate purposes.

In February 2009, Coca-Cola FEMSA, jointly with The Coca-Cola Company, has closed the acquisition of Brisa de Bavaria, a subsidiary of SABMiller. The purchase price of US\$92 million was shared equally by Coca-Cola FEMSA.

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STOCK EXCHANGE AND SYMBOL

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

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The FEMSA 2008 Annual Report may contain certain forward-looking statements concerning FEMSA and its subsidiaries' future performance and should be considered as good faith estimates of FEMSA and its subsidiaries. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to further events and uncertainties which could materially impact the Company's subsidiaries' actual performance.



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