**As filed with the Securities and Exchange Commission on April 25, 2012.**

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

# FORM 20-F

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

**For the fiscal year ended December 31, 2011**
**Commission file number 1-12260**

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

(Exact name of registrant as specified in its charter)

**Not Applicable**
(Translation of registrant's name into English)

**United Mexican States**
(Jurisdiction of incorporation or organization)

**Guillermo González Camarena No. 600**
**Centro de Ciudad Santa Fe**
**01210 México, D.F., México**
(Address of principal executive offices)

José Castro
**Guillermo González Camarena No. 600**
**Centro de Ciudad Santa Fe**
**01210 México, D.F., México**
**(52-55) 5081-5120/5121**
**krelations@kof.com.mx**
(Name, telephone, e-mail and/or facsimile number and
address of company contact person)

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

| Title of Each Class | Name of Each Exchange on Which Registered |
| --- | --- |
| American Depositary shares, each representing 10 Series L shares, without par value | New York Stock Exchange, Inc. |
| Series L shares, without par value | New York Stock Exchange, Inc. (not for trading, for listing purposes only) |

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

**The number of outstanding shares of each class of capital or common stock as of December 31, 2011 was:**

| | |
| --- | --- |
| 992,078,519 | Series A shares, without par value |
| 583,545,678 | Series D shares, without par value |
| 334,406,004 | Series L shares, without par value |

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

☒ Yes ☐ No

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

☐ Yes ☒ No

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

☐ Yes ☐ No

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

☒ Yes ☐ No

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

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

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

U.S. GAAP ☐ IFRS ☐ Other ☒

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

☐ Item 17 ☒ Item 18

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

## TABLE OF CONTENTS

## INTRODUCTION

### References

Unless the context otherwise requires, the terms "Coca-Cola FEMSA," "our company," "we," "us" and "our" are used in this annual report to refer to Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries on a consolidated basis.

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

"Sparkling beverages" as used in this annual report refers to nonalcoholic carbonated beverages. "Still beverages" refers to nonalcoholic non-carbonated beverages. Non-flavored waters, whether or not carbonated, are referred to as "waters."

References to *Coca-Cola* trademark beverages in this annual report refer to products described in "Item 4. Information on the Company—The Company—Our Products."

### Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 13.95 to US$ 1.00, the exchange rate for Mexican pesos on December 30, 2011, the last day in 2011 for which information is available, according to the U.S. Federal Reserve Board. On April 20, 2012, this exchange rate was Ps. 13.12 to US$ 1.00. **See "Item 3. Key Information—Exchange Rate Information"** for information regarding exchange rates since January 1, 2007.

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

### Sources

Certain information contained in this annual report has been computed based upon statistics prepared by the *Instituto Nacional de Estadística y Geografía de Mexico* (the National Institute of Statistics and Geography), the Federal Reserve Bank of New York, the U.S Federal Reserve Board, the *Banco de México* (the Central Bank of Mexico), the *Comisión Nacional Bancaria y de Valores* of Mexico (the National Banking and Securities Commission, or the CNBV), local entities in each country and upon our estimates.

### Forward-Looking Information

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

**Business Divisions**

During 2011, we restructured our internal operations in order to have the necessary flexibility to manage our business going forward, extend our track record of growth and better reflect the geographic characteristics of our business. Previously, we managed our business under three divisions—Mexico, Latincentro, and Mercosur. As a result of these changes, we organized our operations into the following two reportable segments: (i) Mexico and Central America division (comprising the following countries: Mexico, Guatemala, Nicaragua, Costa Rica and Panama) and (ii) South America division (comprising the following countries: Brazil, Argentina, Colombia and Venezuela). However, because Venezuela operates in an economy with exchange control and hyper-inflation, Bulletin B-5 "Information by Segments", does not allow its aggregation into the South America segment for purposes of our consolidated financial statements. **See "Item 4. Information on the Company—The Company—Business Strategy."**

## Item 1. Not Applicable

## Item 2. Not Applicable

## Item 3. Key Information

### SELECTED CONSOLIDATED FINANCIAL DATA

This annual report includes (under Item 18) our audited consolidated balance sheets as of December 31, 2011 and 2010 and the related consolidated statements of income and changes in shareholders' equity and cash flows for the years ended December 31, 2011, 2010, and 2009. Our consolidated financial statements for those years were prepared in accordance with Mexican Financial Reporting Standards, which we sometimes refer to as Mexican FRS. Mexican FRS differs in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Notes 26 and 27 to our consolidated financial statements provide a description of the principal differences between Mexican Financial Reporting Standards and U.S. GAAP as they relate to us, together with reconciliation to U.S. GAAP of net income and shareholders' equity.

Beginning in 2012, Mexican issuers with securities registered in the National Securities Registry (*Registro Nacional de Valores*) of the *Comisión Nacional Bancaria y de Valores* (Mexican National Banking and Securities Commission, or the CNBV) are required to prepare financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, which we refer to as IFRS. Accordingly, as of January 1, 2012, we are preparing our financial information in accordance with IFRS on a comparable basis. See Note 28 to our audited consolidated financial statements.

Through December 31, 2007, Mexican FRS required us to recognize effects of inflation in our financial statements and re-express financial statements from prior periods in constant pesos as of the end of the most recent period presented. For periods beginning in 2008, we adopted *Norma de Información Financiera* (NIF) B-10 "Effects of Inflation" under Mexican Financial Reporting Standards. Under this rule, the previous inflation accounting rules requiring us to re-express prior years to reflect the impact of current period inflation no longer apply, unless the economic environment in which we operate qualifies as inflationary pursuant to Mexican Financial Reporting Standards. An economic environment is inflationary if the cumulative inflation equals or exceeds an aggregate of 26% over the preceding three consecutive years. As a result, we ceased to recognize the effects of inflation on our financial information for our subsidiaries in Mexico, Guatemala, Panama, Colombia and Brazil. For the rest of our subsidiaries in Argentina, Venezuela, Costa Rica and Nicaragua, we continue, as of December 31, 2011, applying inflationary accounting in accordance with Mexican Financial Reporting Standards.

Pursuant to Mexican FRS, the information presented in this annual report presents financial information for 2011, 2010, and 2009 in nominal terms that has been presented in Mexican pesos, taking into account local inflation of each inflationary economic environment and converting from local currency to Mexican pesos using the official exchange rate at the end of the period published by the local central bank of each country categorized as an inflationary economic environment. For each non-inflationary economic environment, local currency is converted to Mexican pesos using the year-end exchange rate for assets and liabilities, the historical exchange rate for shareholders' equity and the average exchange rate for the income statement. Our financial information for 2007 is expressed in constant pesos as of December 31, 2007.

Pursuant to Mexican FRS, in our consolidated financial statements and the selected financial information set forth below:

- In inflationary economic environments, the figures are restated for inflation based on the local consumer price index.

- In inflationary economic environments, gains and losses in purchasing power from holding monetary liabilities or assets are recognized in the "Comprehensive financing result" line in the income statement.

- Financial statements for 2011, 2010, and 2009 are stated in nominal Mexican pesos.

- Beginning in 2008, as a result of discontinuing inflationary accounting for subsidiaries that operate in non-inflationary economic environments, the financial statements are no longer considered to be presented in a reporting currency that comprehensively includes the effects of price level changes; therefore, the inflationary effects of inflationary economic environments arising in 2011, 2010, 2009 and 2008 result in a difference to be reconciled for U.S. GAAP purposes. See Notes 26 and 27 to our consolidated financial statements.

Our non-Mexican subsidiaries maintain their accounting records in the currency and in accordance with accounting principles generally accepted in the country where they are located. For presentation in our consolidated financial statements, we adjust these accounting records into Mexican Financial Reporting Standards and reported in Mexican pesos under these standards.

The following table presents selected financial information of our company. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto. The selected financial information contained herein is presented on a consolidated basis, and is not necessarily indicative of our financial position or results from operations at or for any future date or period. See Note 4 to our consolidated financial statements for our significant accounting policies.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2011**[1] | **2011** | **2010** | **2009**[2] | **2008**[3] | **2007** |
| | (2011, 2010, 2009 and 2008 in millions of Mexican pesos or millions of U.S. dollars; 2007 in millions of constant Mexican pesos as of December 31, 2007, except share and per share data) | | | | | |
| **Income Statement Data:** | | | | | | |
| **Mexican FRS** | | | | | | |
| Total revenues | US$ 8,940 | Ps. 124,715 | Ps. 103,456 | Ps. 102,767 | Ps. 82,976 | Ps. 69,251 |
| Cost of goods sold | 4,838 | 67,488 | 55,534 | 54,952 | 43,895 | 35,876 |
| Gross profit | 4,102 | 57,227 | 47,922 | 47,815 | 39,081 | 33,375 |
| Operating expenses | 2,657 | 37,075 | 30,843 | 31,980 | 25,386 | 21,889 |
| Income from operations | 1,445 | 20,152 | 17,079 | 15,835 | 13,695 | 11,486 |
| Comprehensive financing result | 76 | 1,058 | 1,228 | 1,373 | 3,552 | 345 |
| Other expenses, net | 167 | 2,326 | 1,292 | 1,449 | 1,831 | 702 |
| Income taxes | 401 | 5,599 | 4,260 | 4,043 | 2,486 | 3,336 |
| Consolidated net income | 801 | 11,169 | 10,299 | 8,970 | 5,826 | 7,103 |
| Controlling interest net income | 761 | 10,615 | 9,800 | 8,523 | 5,598 | 6,908 |
| Non-controlling interest net income | 40 | 554 | 499 | 447 | 228 | 195 |
| Net controlling income per share[4] | 0.41 | 5.69 | 5.31 | 4.62 | 3.03 | 3.74 |
| **U.S. GAAP** | | | | | | |
| Total revenues | US$ 8,909 | Ps. 124, 288 | Ps. 103,122 | Ps. 100,393 | Ps. 81,099 | Ps. 69,131 |
| Cost of goods sold | 4, 891 | 68,240 | 55,944 | 54,335 | 43,490 | 36,118 |
| Gross profit | 4, 018 | 56,048 | 47,178 | 46,058 | 37,609 | 33,013 |
| Operating expenses | 2,729 | 38,068 | 31,770 | 31,843 | 25,567 | 22,279 |
| Income from operations | 1,289 | 17,980 | 15,408 | 14,215 | 12,042 | 10,734 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Comprehensive financing result | 82 | 1,149 | 1,260 | 1,752 | 3,917 | 278 |
| Other expenses, net | 34 | 480 | 163 | 226 | 440 | 241 |
| Income taxes | 389 | 5,422 | 4,097 | 3,525 | 1,987 | 3,272 |
| Consolidated net income(5) | 790 | 11,015 | 10,105 | 8,853 | 5,802 | 6,953 |
| Controlling interest net income | 751 | 10,467 | 9,608 | 8,407 | 5,571 | 6,765 |
| Non-controlling interest net income | 39 | 548 | 497 | 446 | 231 | 188 |
| Net controlling income per share(4) | 0. 40 | 5.61 | 5.20 | 4.55 | 3.02 | 3.66 |
| **Balance Sheet Data:** | | | | | | |
| **Mexican FRS** | | | | | | |
| Cash, cash equivalents and marketable securities | US$ 907 | Ps. 12,661 | Ps. 12,534 | Ps. 9,954 | Ps. 6,583 | Ps. 7,780 |
| Other current assets | 1,392 | 19,413 | 13,902 | 13,685 | 11,409 | 9,681 |
| Property, plant and equipment, net | 2,975 | 41,502 | 31,874 | 31,007 | 28,157 | 23,662 |
| Intangible assets, net | 5,066 | 70,675 | 51,213 | 50,898 | 47,453 | 42,458 |
| Other assets, net | 527 | 7,357 | 4,538 | 5,117 | 4,356 | 3,597 |
| Total assets | 10,867 | 151,608 | 114,061 | 110,661 | 97,958 | 87,178 |
| Short-term bank loans and notes payable | 397 | 5,540 | 1,840 | 5,427 | 6,119 | 4,814 |
| Other current liabilities | 1,401 | 19,537 | 15,806 | 18,021 | 15,214 | 11,496 |
| Long-term bank loans and notes payable | 1,221 | 17,034 | 15,511 | 10,498 | 12,455 | 14,102 |
| Other long-term liabilities | 624 | 8,717 | 7,023 | 8,243 | 6,554 | 5,985 |
| Total liabilities | 3,643 | 50,828 | 40,180 | 42,189 | 40,342 | 36,397 |
| Shareholders' equity | 7,224 | 100,780 | 73,881 | 68,472 | 57,616 | 50,781 |
| Capital stock | 228 | 3,178 | 3,116 | 3,116 | 3,116 | 3,116 |
| Non-controlling interest in consolidated subsidiaries | 221 | 3,089 | 2,602 | 2,296 | 1,703 | 1,641 |
| Controlling interest | 7,003 | 97,691 | 71,279 | 66,176 | 55,913 | 49,140 |
| **U.S. GAAP** | | | | | | |
| Cash, cash equivalents and marketable securities | US$ 873 | Ps. 12,173 | Ps. 12,140 | Ps. 9,740 | Ps. 6,192 | Ps. 7,542 |
| Other current assets | 1,486 | 20,738 | 15,081 | 14,936 | 12,493 | 10,523 |
| Property, plant and equipment, net | 2,971 | 41,442 | 32,032 | 29,600 | 27,967 | 22,996 |
| Intangible assets, net | 5,003 | 69,795 | 50,697 | 49,336 | 46,580 | 42,458 |
| Other assets, net | 518 | 7,232 | 5,063 | 4,817 | 4,741 | 5,063 |
| Total assets | 10,851 | 151,380 | 115,013 | 108,429 | 97,973 | 88,582 |
| Short-term bank loans and notes payable | 397 | 5,540 | 1,840 | 5,427 | 6,119 | 4,814 |
| Other current liabilities | 1,401 | 19,540 | 15,816 | 18,033 | 15,226 | 11,430 |
| Long-term bank loans and notes payable | 1,221 | 17,034 | 15,511 | 10,497 | 12,455 | 14,102 |
| Other long-term liabilities | 679 | 9,472 | 8,378 | 8,435 | 7,705 | 7,111 |
| Total liabilities | 3,698 | 51,586 | 41,545 | 42,392 | 41,505 | 37,457 |
| Equity | 7,153 | 99,794 | 73,468 | 66,037 | 56,468 | 51,125 |
| Non-controlling interest in consolidated subsidiaries | 224 | 3,124 | 2,633 | 2,333 | 1,707 | 1,653 |
| Controlling interest | 6,929 | 96,670 | 70,835 | 63,704 | 54,761 | 49,472 |
| Capital stock | 228 | 3,178 | 3,116 | 3,116 | 3,116 | 3,116 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other Data:** | | | | | | | | | | | | |
| **Mexican FRS** | | | | | | | | | | | | |
| Depreciation[5] .................. | US$ | 298 | Ps. | 4,163 | Ps. | 3,333 | Ps. | 3,472 | Ps. | 3,022 | Ps. | 2,586 |
| Capital expenditures[6]...... | | 561 | | 7,826 | | 7,478 | | 6,282 | | 4,802 | | 3,682 |
| **U.S. GAAP** | | | | | | | | | | | | |
| Depreciation[5] .................. | US$ | 300 | Ps. | 4,192 | Ps. | 3,381 | Ps. | 3,696 | Ps. | 3,151 | Ps. | 2,717 |

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 13.95 to US$ 1.00 solely for the convenience of the reader. Includes results from the operations of Grupo Tampico from October 2011 and from Grupo CIMSA from December 2011. **See "Item 4—Information on the Company—The Company—Corporate History."**

(2) Includes results from the operations of Brisa from June 2009. **See "Item 4—Information on the Company—The Company—Corporate History."**

(3) Includes results from the operations of REMIL from June 2008. **See "Item 4—Information on the Company—The Company—Corporate History."**

(4) Computed on the basis of 1,865.3 million for 2011 and 1,846.5 million for previous years million shares outstanding.

(5) Includes depreciation of coolers reclassified to property, plant and equipment during 2009.

(6) Expressed in nominal Mexican pesos.

## DIVIDENDS AND DIVIDEND POLICY

The following table sets forth the nominal amount in Mexican pesos of dividends declared and paid per share each year and the U.S. dollar amounts on a per share basis actually paid to holders of American Depositary Shares, which we refer to as ADSs, on each of the respective payment dates.

| Fiscal Year with Respect to which Dividend was Declared | Date Dividend Paid | Mexican Pesos per Share (Nominal) | U.S. Dollars per Share(1) |
|---|---|---|---|
| 2007 | May 6, 2008 | 0.512 | 0.049 |
| 2008 | April 13, 2009 | 0.727 | 0.054 |
| 2009 | April 26, 2010 | 1.410 | 0.116 |
| 2010 | April 27, 2011 | 2.360 | 0.204 |
| 2011 | May 30, 2012(2) | 2.770 | –(3) |

(1) Expressed in U.S. dollars using the exchange rate applicable when the dividend was paid.
(2) Estimated payment date since dividends for 2011 have not been paid at the time of this annual report.
(3) Since dividends for 2011 have not been paid at the time of this annual report, the U.S. dollar per share amount has not been determined.

The declaration, amount and payment of dividends are subject to approval by a simple majority of the shareholders up to an amount equivalent to 20% of the preceding years' retained earnings and by a majority of shareholders of each of Series A and Series D shares voting together as a single class above 20% of the preceding years' retained earnings, generally upon the recommendation of our board of directors, and will depend upon our operating results, financial condition, capital requirements, general business conditions and the requirements of Mexican law.  Accordingly, our historical dividend payments are not necessarily indicative of future dividends.

Holders of Series L shares, including in the form of ADSs, are not entitled to vote on the declaration and payments of dividends.

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rate expressed in Mexican pesos per U.S. dollar.

| Period | Exchange Rate | | | |
|---|---|---|---|---|
| | High | Low | Average(1) | End of Period |
| 2007 | 11.27 | 10.67 | 10.93 | 10.92 |
| 2008 | 13.94 | 9.92 | 11.21 | 13.83 |
| 2009 | 15.41 | 12.63 | 13.58 | 13.06 |
| 2010 | 13.19 | 12.16 | 12.64 | 12.38 |
| 2011 | 14.25 | 11.51 | 12.43 | 13.95 |

Source: U.S. Federal Reserve Board.
(1) Average month-end rates.

| | Exchange Rate | | |
|---|---|---|---|
| | High | Low | End of Period |
| 2010: | | | |
| First Quarter | Ps. 13.19 | Ps. 12.30 | Ps. 12.30 |
| Second Quarter | 13.14 | 12.16 | 12.83 |
| Third Quarter | 13.17 | 12.49 | 12.63 |
| Fourth Quarter | 12.61 | 12.21 | 12.38 |
| 2011: | | | |
| First Quarter | Ps. 12.25 | Ps. 11.92 | Ps. 11.92 |
| Second Quarter | 11.97 | 11.51 | 11.72 |
| Third Quarter | 13.87 | 11.57 | 13.77 |
| Fourth Quarter | 14.25 | 13.10 | 13.95 |
| December | 13.99 | 13.49 | 13.95 |
| 2012: | | | |
| First Quarter | Ps. 13.75 | Ps. 12.63 | Ps. 12.81 |
| January | 13.75 | 12.93 | 13.04 |
| February | 12.95 | 12.63 | 12.79 |
| March | 12.99 | 12.63 | 12.81 |

Source: U.S. Federal Reserve Board.

On April 20, 2012, the exchange rate was Ps. 13.12 to US$ 1.00, according to the U.S. Federal Reserve Board.

We pay all cash dividends in Mexican pesos. As a result, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of our ADSs, which represent ten Series L shares, on conversion by the depositary for our ADSs of cash dividends on the shares represented by such ADSs. In addition, fluctuations in the exchange rate between the Mexican peso and the U.S. dollar would affect the market price of our ADSs.

## RISK FACTORS

### Risks Related to Our Company

***Our business depends on our relationship with The Coca-Cola Company, and changes in this relationship may adversely affect our results from operations and financial condition.***

Substantially all of our sales are derived from sales of *Coca-Cola* trademark beverages. We produce, market and distribute *Coca-Cola* trademark beverages through standard bottler agreements in certain territories in Mexico and Latin America, which we refer to as "our territories." **See "Item 4. Information on the Company—The Company—Our Territories."** Through its rights under our bottler agreements and as a large shareholder, The Coca-Cola Company has the right to participate in the process for making important decisions related to our business.

The Coca-Cola Company may unilaterally set the price for its concentrate. In addition, under our bottler agreements, we are prohibited from bottling or distributing any other beverages without The Coca-Cola Company's authorization or consent, and we may not transfer control of the bottler rights of any of our territories without consent of The Coca-Cola Company.

The Coca-Cola Company also makes significant contributions to our marketing expenses, although it is not required to contribute a particular amount. Accordingly, The Coca-Cola Company may discontinue or reduce such contributions at any time.

We depend on The Coca-Cola Company to renew our bottler agreements. As of December 31, 2011, we had seven bottler agreements in Mexico, with each one corresponding to a different territory: (i) the agreements for Mexico's Valley territory expires in June 2013 and April 2016, (ii) the agreements for the Central territory expires in May 2015and July 2016, (iii) the agreement for the Northeast territory expires in September 2014, (iv) the agreement for the Bajio territory expires in May 2015, and (v) the agreement for the Southeast territory expires in June 2013. Our bottler agreements with The Coca-Cola Company will expire for our territories in other countries as follows: Argentina in September 2014; Brazil in April 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016; and Panama in November 2014. All of our bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement. In addition, these agreements generally may be terminated in the case of material breach. **See "Item 4. Information on the Company—Bottler Agreements."** Termination would prevent us from selling *Coca-Cola* trademark beverages in the affected territory and would have an adverse effect on our business, financial conditions, results from operations and prospects.

***The Coca-Cola Company and FEMSA have substantial influence on the conduct of our business, which may result in us taking actions contrary to the interests of our remaining shareholders.***

The Coca-Cola Company and Fomento Económico Mexicano, S.A.B. de C.V., which we refer to as FEMSA, have substantial influence on the conduct of our business. As of April 20, 2012, The Coca-Cola Company indirectly owns 29.4% of our outstanding capital stock, representing 37.0% of our capital stock with full voting rights. The Coca-Cola Company is entitled to appoint five of our maximum of 21 directors and the vote of at least two of them is required to approve certain actions by our board of directors. As of April 20, 2012, FEMSA indirectly owns 50.0% of our outstanding capital stock, representing 63.0% of our capital stock with full voting rights. FEMSA is entitled to appoint 13 of our maximum of 21 directors and all of our executive officers. The Coca-Cola Company and FEMSA together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval by our board of directors, and FEMSA and The Coca-Cola Company together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval of our shareholders. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."** The interests of The Coca-Cola Company and FEMSA may be different from the interests of our remaining shareholders, which may result in us taking actions contrary to the interests of our remaining shareholders.

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

We engage in transactions with subsidiaries of both The Coca-Cola Company and FEMSA. Our main transactions with FEMSA include supply agreements under which we purchase certain supplies and equipment, a service agreement under which a FEMSA subsidiary transports finished products from our production facilities to distribution facilities in Mexico, sales of finished products to Oxxo, a Mexican convenience store chain owned by FEMSA, a service agreement under which a FEMSA subsidiary provides administrative services to us, and sales and distribution agreements with Cervejarias Kaiser Brasil S.A., or Cervejarias Kaiser. We continue to distribute and sell the Kaiser beer portfolio in our Brazilian territories through the 20-year term, consistent with arrangements in place with Cervejarias Kaiser since 2006, prior to the acquisition of Cervejarias Kaiser, a subsidiary of the Heineken Group, by Cuauhtémoc Moctezuma Holding, S.A. de C.V., formerly known as FEMSA Cerveza, S.A. de C.V. or FEMSA Cerveza. On April 30, 2010, the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group closed. **See "Item 4. Information on the Company—The Company—Product and Packaging Mix—South America, excluding Venezuela (Colombia, Brazil and Argentina)."** In addition, we have entered into cooperative marketing arrangements with The Coca-Cola Company. We are a party to a number of bottler agreements with The Coca-Cola Company. We also have agreed to develop still beverages and waters in our territories with The Coca-Cola Company and have entered into agreements to acquire companies with The Coca-Cola Company. **See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."**

Our transactions with related parties may create the potential for conflicts of interest, which could result in terms less favorable to us than could be obtained from an unaffiliated third party.

***Competition could adversely affect our financial performance.***

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

***Changes in consumer preference could reduce demand for some of our products.***

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

***Water shortages or any failure to maintain existing concessions could adversely affect our business.***

Water is an essential component of all of our products. We obtain water from various sources in our territories, including springs, wells, rivers and municipal and state water companies pursuant to either contracts to obtain water or pursuant to concessions granted by governments in our various territories.

We obtain the vast majority of the water used in our production pursuant to concessions to exploit wells, which are generally granted based on studies of the existing and projected groundwater supply. Our existing water concessions or contracts to obtain water may be terminated by governmental authorities under certain circumstances and their renewal depends on receiving necessary authorizations from local and/or federal water authorities. **See**

**"Item 4. Information on the Company—Regulation—Water Supply Law."** In some of our other territories, our existing water supply may not be sufficient to meet our future production needs, and the available water supply may be adversely affected by shortages or changes in governmental regulations and environmental changes.

We cannot assure you that water will be available in sufficient quantities to meet our future production needs or will prove sufficient to meet our water supply needs.

***Increases in the prices of raw materials would increase our cost of goods sold and may adversely affect our results from operations.***

In addition to water, our most significant raw materials are (1) concentrate, which we acquire from affiliates of The Coca-Cola Company, (2) packaging materials and (3) sweeteners. Prices for sparkling beverages concentrate are determined by The Coca-Cola Company as a percentage of the weighted average retail price in local currency, net of applicable taxes. In 2005, The Coca-Cola Company decided to gradually increase concentrate prices for sparkling beverages in Brazil and Mexico. These increases were fully implemented in Brazil in 2008 and in Mexico in 2009. However, we may experience further increases in our territories in the future. The prices for our remaining raw materials are driven by market prices and local availability as well as the imposition of import duties and import restrictions and fluctuations in exchange rates. We are also required to meet all of our supply needs from suppliers approved by The Coca-Cola Company, which may limit the number of suppliers available to us. Our sales prices are denominated in the local currency in each country in which we operate, while the prices of certain materials, including those used in the bottling of our products, mainly resin, ingots to make plastic bottles, finished plastic bottles, aluminum cans and HFCS, are paid in or determined with reference to the U.S. dollar, and therefore may increase if the U.S. dollar appreciates against the currency of the countries in which we operate, as was the case in 2008 and 2009. While the U.S. dollar did not appreciate against the currency of the countries in which we operate in 2010 and most of 2011, we cannot assure you that an appreciation of the U.S. dollar with respect to such currencies will not occur in the future. **See "Item 4. Information on the Company—The Company—Raw Materials."**

Our most significant packaging raw material costs arise from the purchase of resin and plastic ingots to make plastic bottles and from the purchase of finished plastic bottles, the prices of which are tied to crude oil prices and global resin supply. The average prices that we paid for resin and plastic ingots in U.S. dollars increased significantly in 2011, as compared to 2010. We cannot provide any assurance that prices will not increase further in future periods. Average sweetener prices, including sugar and HFCS, paid during 2011 were higher as compared to 2010 in all of the countries in which we operate. During 2009 to 2011 international sugar prices were volatile due to various factors, including shifting demands, availability and climate issues affecting production and distribution. Sugar prices in all of the countries in which we operate other than Brazil are subject to local regulations and other barriers to market entry that cause us to pay in excess of international market prices for sugar. **See "Item 4. Information on the Company—The Company—Raw Materials."** We cannot assure you that our raw material prices will not further increase in the future. Increases in the prices of raw materials would increase our cost of goods sold and adversely affect our financial performance.

***Taxes could adversely affect our business.***

The countries in which we operate may adopt new tax laws or modify existing law to increase taxes applicable to our business. For example, in Mexico, a general tax reform became effective on January 1, 2010, pursuant to which, as applicable to us, there is a temporary increase in the income tax rate from 28% to 30% from 2010 through 2012. This increase will be followed by a reduction to 29% for the year 2013 and a further reduction in 2014 to return to the previous rate of 28%. In addition, the value added tax (VAT) rate increased in 2010 from 15% to 16%. This increase had an impact on our results from operations due to the reduction in disposable income of consumers.

In Panama there was an increase in a certain consumer tax, effective as of April 1, 2010, affecting syrups, powders and concentrate. Some of these materials are used for the production of our sparkling beverages. These taxes increased from 6% to 10%.

Our products are also subject to certain taxes in many of the countries in which we operate. Certain countries in Central America, Brazil and Argentina also impose taxes on sparkling beverages. **See "Item 4.**

**Information on the Company—Regulation—Taxation of Sparkling Beverages."** We cannot assure you that any governmental authority in any country where we operate will not impose new taxes or increase taxes on our products in the future. The imposition of new taxes or increases in taxes on our products may have a material adverse effect on our business, financial condition, prospects and results from operations.

***Regulatory developments may adversely affect our business.***

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

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries in which we operate. We are currently subject to price controls in Argentina and Venezuela. The imposition of these restrictions or voluntary price restraints in other territories may have an adverse effect on our results from operations and financial position. **See "Item 4. Information on the Company—Regulation—Price Controls."** We cannot assure you that governmental authorities in any country where we operate will not impose statutory price controls or that we will need to implement voluntary price restraints in the future.

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

In July 2011 the Venezuelan government passed the *Ley de Costos y Precios Justos* (Fair Costs and Prices Law). The purpose of this law is to establish the regulations and administrative processes necessary to maintain the price stability of, and equal access to, goods and services. The law also creates the National Ministry of Costs and Prices, whose main role is to oversee price controls and set maximum retail prices on certain consumer goods and services. Of our products, only certain of our still water beverages were affected by these regulations, which mandated to lower our sale prices as of April 2012. Any failure to comply with this law would result in fines, temporary suspension or the closure of operations. While we are currently in compliance with this law, we cannot assure you that the Venezuelan government's future regulation of goods and services will not result in a forced reduction of prices in other of our products, which could have a negative effect on our results of operations.

In January 2012, the Costa Rican government approved a decree which regulates the sale of food and beverages in schools. The decree came into effect in 2012. Enforcement of this law will be gradual, from 2012 to 2014, depending on the specific characteristics of the food and beverage in question. According to the decree, the sale of specific sparkling beverages and still beverages that contain sugar, syrup or HFCS in any type of presentation in schools is prohibited. We will still be allowed to sell water and certain still beverages in schools. We cannot assure you that the Costa Rican government will not further restrict sales of other of our products in schools in the future; any such further restrictions could lead to an adverse impact on our results of operations.

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

***Weather conditions may adversely affect our results from operations.***

Lower temperatures and higher rainfall may negatively impact consumer patterns, which may result in lower per capita consumption of our beverage offerings. Additionally, adverse weather conditions may affect road infrastructure in the territories in which we operate and limit our ability to sell and distribute our products, thus affecting our results from operations. As was the case in most of our territories in 2011, adverse weather conditions affected our sales in certain regions of these territories.

**Risks Related to the Series L shares and the ADSs**

***Holders of our Series L shares have limited voting rights.***

Holders of our Series L shares are entitled to vote only in certain circumstances. In general terms they may elect up to three of our maximum of 21 directors and are only entitled to vote on specific matters, including certain changes in our corporate form, mergers involving our company when our company is the merged entity or when the principal corporate purpose of the merged entity is not related to the corporate purpose of our company, the cancellation of the registration of our shares on the Mexican Stock Exchange or any other foreign stock exchange, and those matters for which the *Ley de Mercado de Valores* (Mexican Securities Market Law) expressly allows them to vote. As a result, Series L shareholders will not be able to influence our business or operations. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders"** and **"Item 10. Additional Information—Bylaws—Voting Rights, Transfer Restrictions and Certain Minority Rights."**

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

Our shares are traded on the New York Stock Exchange (NYSE) in the form of ADSs. Holders of our shares in the form of ADSs may not receive notice of shareholders meetings from our ADS depositary in sufficient time to enable such holders to return voting instructions to the ADS depositary in a timely manner.

***The protections afforded to non-controlling interest shareholders in Mexico are different from those afforded to minority shareholders in the United States and investors may experience difficulties in enforcing civil liabilities against us or our directors, officers and controlling persons.***

Under the Mexican Securities Market Law, the protections afforded to non-controlling interest shareholders are different from, and may be less than, those afforded to minority shareholders in the United States. Therefore, it may be more difficult for non-controlling interest shareholders to enforce their rights against us, our directors or our controlling interest shareholders than it would be for minority shareholders of a United States company.

In addition, we are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States, and all or a substantial portion of our assets and the assets of our directors, officers and controlling persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws.

The enforceability against our directors, officers and controlling persons in Mexico in actions for enforcement of judgments of U.S.courts, and liabilities predicated solely upon the U.S. federal securities laws will be subject to certain requirements provided for in the Mexican Federal Civil Procedure Code and any applicable treaties. Some of the requirements may include personal service of process and that the judgments of U.S. courts are not against Mexican public policy. The Mexican Securities Market Law, which is considered Mexican public policy, provides that in the event of actions derived from any breach of the duty of care and the duty of loyalty against our directors and officers, any remedy would be exclusively for the benefit of the company. Therefore, investors would not be directly entitled to any remedies under such actions.

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

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

***Holders of Series L shares in the United States and holders of ADSs may not be able to participate in any capital offering and as a result may be subject to dilution of their equity interests.***

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

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

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

***Adverse economic conditions in Mexico may adversely affect our financial condition and results from operations.***

We are a Mexican corporation, and our Mexican operations are our single most important geographic territory. For the year ended December 31, 2011, 35.7% of our total revenues were attributable to Mexico. The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect the Mexican economy. Prolonged periods of weak economic conditions in Mexico may have, and in the past have had, a negative effect on our company and a material adverse effect on our results from operations and financial condition.

Our business may be significantly affected by the general condition of the Mexican economy, or by the rate of inflation and interest rates in Mexico and exchange rates for the Mexican peso. Decreases in the growth rate of the Mexican economy, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk."** In addition, an increase in interest rates in Mexico would increase the cost to us of variable rate, Mexican peso-denominated funding, which constituted approximately 24.5% of our total debt as of December 31, 2011, and have an adverse effect on our financial position. **See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources."**

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

Depreciation of the Mexican peso relative to the U.S. dollar increases the cost to us of some of the raw materials we acquire, the price of which is paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars and thereby may negatively affect our results from operations, financial position and shareholders' equity. Significant fluctuation of the Mexican peso relative to the U.S. dollar occurred in the past, for example, at the end of 2008 and into 2009; and occurred again at the end of 2011, negatively affecting our results. According to the U.S. Federal Reserve Board, the exchange rate registered a low of Ps. 9.92 to US$ 1.00 at August 5, 2008, and a high of Ps. 15.41 to US$ 1.00 at March 2, 2009 in that period. At December 31, 2011, the exchange rate was Ps. 13.95 to U.S.$ 1.00. At April 20, 2012, the exchange rate was Ps. 13.12 to US$ 1.00. **See**

**"Item 3. Key Information—Exchange Rate Information"** and **"Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rate Risk."**

We selectively hedge our exposure to the U.S. dollar with respect to the Mexican peso and other currencies, our U.S. dollar-denominated debt obligations, and recently, the purchase of certain U.S. dollar-denominated raw materials. A severe depreciation of the Mexican peso or any currency of the countries in which we operate, may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert Mexican pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated indebtedness or obligations in other currencies. While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could institute restrictive exchange rate policies in the future. Currency fluctuations may have an adverse effect on our results from operations, financial condition and cash flows in future periods.

***Political events in Mexico could adversely affect our operations.***

Mexican political events may significantly affect our operations. Mexico's next president to be elected in July 2012 may implement significant changes in laws, public policy and/or regulations that could affect Mexico's political and economic situation, which could adversely affect our business. We cannot assure you that we will continue to operate under the same policies applicable to us after the Mexican federal elections in 2012.

Political events in Mexico, including events related to Mexico's 2012 federal elections for a new President and Congress, may significantly affect Mexican economic policy and, consequently, our operations. Political disagreements between the executive and the legislative branches could result in deadlock and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexican economic policy. The political environment involving Mexico's 2012 federal elections or otherwise, could have a negative effect on the Mexican economy, which in turn could result in an adverse effect on our business. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition or results from operations.

***Economic and political conditions in the other Latin American countries in which we operate may increasingly adversely affect our business.***

In addition to Mexico, we conduct operations in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina. Total revenues and income from our combined non-Mexican operations increased as a percentage of our consolidated total revenues and income from operations from 47.4% and 32.4%, respectively, in 2006, to 64.3% and 62.0%, respectively, in 2011. As a consequence, our results have been increasingly affected by the economic and political conditions in the countries, other than Mexico, where we conduct operations.

Consumer demand, preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic and political conditions in the other countries in which we operate. These conditions vary by country and may not be correlated to conditions in our Mexican operations. In Venezuela we continue to face exchange rate risk as well as scarcity of and restrictions to import raw materials. Deterioration in economic and political conditions in any of these countries would have an adverse effect on our financial position and results from operations.

Venezuelan political events may affect our operations. The political uncertainty involving Venezuela's October 2012 elections or otherwise could have a negative effect on the Venezuelan economy, which in turn could result in an adverse effect on our business. We cannot provide any assurances that political developments in Venezuela, over which we have no control, will not have an adverse effect on our business, financial condition or results from operations.

Depreciation of the local currencies of the countries in which we operate against the U.S. dollar may increase our operating costs. We have also operated under exchange controls in Venezuela since 2003 that limit our ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price paid for raw materials and services purchased in local currency. In January 2010, the Venezuelan government announced a devaluation of its official exchange rate and the establishment of a multiple exchange rate system which was set at 2.60 bolivars to US$ 1.00 for high priority categories and 4.30 bolivars to US$ 1.00 for non-priority categories, and which recognized the existence of other exchange rates in which the government will intervene. In December 2010, the Venezuelan government announced its decision to implement a new singular fixed exchange rate of 4.30 bolivars to US$ 1.00, which resulted in a devaluation of the bolivar against the U.S. dollar. For further information, please see Note 3 to our consolidated financial statements. Future changes in the Venezuelan exchange control regime, and future currency devaluations or the imposition of exchange controls in any of the countries in which we have operations could have an adverse effect on our financial position and results from operations.

In addition, presidential elections were held in November 2011 in each of Guatemala and Nicaragua. The elections in Guatemala led to the election of a new President and political party (the Patriotic Party (*Partido Patriota*)). The elections in Nicaragua led to the reelection of José Daniel Ortega Saavedra, a member of the Sandinista National Liberation Front (*Partido Frente Sandinista de Liberación Nacional*). We cannot assure you that the elected presidents will continue to apply the same policies that have been applied to us in the past.

We cannot assure you those political or social developments in any of the countries in which we have operations, over which we have no control, will not have a corresponding adverse effect on the economic situation and on our business, financial condition or results from operations.

## Item 4. Information on the Company

### THE COMPANY

### Overview

We are the largest franchise bottler of *Coca-Cola* trademark beverages in the world. We operate in territories in the following countries:

- Mexico – a substantial portion of central Mexico (including Mexico City and the states of Michoacán and Guanajuato) and the southeast and northeast of Mexico (including the Gulf region).
- Central America – Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide) and Panama (nationwide).
- Colombia – most of the country.
- Venezuela – nationwide.
- Brazil – the area of greater São Paulo, Campinas, Santos, the state of Mato Grosso do Sul, part of the state of Minas Gerais and part of the state of Goiás.
- Argentina – Buenos Aires and surrounding areas.

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

The following is an overview of our operations by reporting segment in 2011.

**Operations by Reporting Segment—Overview**
**Year Ended December 31, 2011**(1)

| | Total Revenues | Percentage of Total Revenues | Income from Operations | Percentage of Income from Operations |
|---|---|---|---|---|
| Mexico and Central America(2) | 52,196 | 41.9% | 8,906 | 44.2% |
| South America (excluding Venezuela)(3) | 52,408 | 42.0% | 7,943 | 39.4% |
| Venezuela | 20,111 | 16.1% | 3,303 | 16.4% |
| Consolidated | 124,715 | 100.0% | 20,152 | 100.0% |

(1) Expressed in millions of Mexican pesos, except for percentages.
(2) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama. Includes results of Grupo Tampico from October 2011 and Grupo CIMSA from December 2011.
(3) Includes Colombia, Brazil and Argentina.

### Corporate History

We are a subsidiary of FEMSA, which also owns Oxxo, the largest Mexican convenience store chain, and which formerly owned FEMSA Cerveza, now Cuauhtémoc Moctezuma Holding, S.A. de C.V., a brewer with operations in Mexico and Brazil, currently a wholly-owned subsidiary of the Heineken Group. On April 30, 2010, the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group closed.

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

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

In May 2003, we acquired Panamerican Beverages, or Panamco, and began producing and distributing *Coca-Cola* trademark beverages in additional territories in the central and the gulf regions of Mexico and in Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela and Brazil, along with bottled water, beer and other beverages in some of these territories. As a result of the acquisition, the interest of The Coca-Cola Company in the capital stock of our company increased from 30.0% to 39.6%.

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

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

In November 2007, Administración, S.A.P.I. de C.V., or Administración, a Mexican company owned directly or indirectly by us and The Coca-Cola Company, acquired 100% of the shares of capital stock of *Jugos del Valle*. The business of Jugos del Valle in the United States was acquired and sold by The Coca-Cola Company. Subsequently, we and The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and the Brazilian operations, respectively, of Jugos del Valle, through transactions completed during 2008. Taking into account the participations held by Grupo Tampico and Grupo CIMSA, we currently hold an interest of 24.0% in the Mexican joint business and approximately 19.7% in the Brazilian joint businesses. Jugos del Valle sells fruit juice-based beverages and fruit derivatives.

In May 2008, we entered into a transaction with The Coca-Cola Company to acquire its wholly owned bottling franchise Refrigerantes Minas Gerais, Ltda., or REMIL, located in the State of Minas Gerais in Brazil, and we paid a purchase price of US$ 364.1 million in June 2008. We began to consolidate REMIL in our financial statements as of June 1, 2008.

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are now being licensed back to us by The Coca-Cola Company pursuant to our bottler agreements. The December 2007 transaction was valued at US$ 48 million and the May 2008 transaction was valued at US$ 16 million. We believe that both of these transactions were conducted on an arm's length basis. Revenues from the sale of proprietary brands in which we have a significant continuing involvement are deferred and amortized against the related costs of future sales over the estimated sales period.

In July 2008, we acquired the *Agua De Los Angeles* jug water business in the Valley of Mexico (Mexico City and surrounding areas) from Grupo Embotellador CIMSA, S.A. de C.V., at the time one of the *Coca-Cola* bottling franchises in Mexico, for a purchase price of US$ 18.3 million. The trademarks remain with The Coca-Cola Company. We subsequently merged *Agua De Los Angeles* into our jug water business under the *Ciel* brand.

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

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

In August 2010, we acquired from The Coca-Cola Company along with other Brazilian *Coca-Cola* bottlers the business operations of the *Matte Leao* tea brand. As of April 20, 2012, we have a 19.4% indirect interest in the Matte Leao business in Brazil.

In March 2011, we acquired with The Coca-Cola Company, through Compañía Panameña de Bebidas S.A.P.I. de C.V., Grupo Industrias Lacteas (also known as Estrella Azul), a Panamanian conglomerate that participates in the dairy and juice-based beverage categories in Panama. We will continue to develop this business with The Coca-Cola Company.

In October 2011, we closed our merger with Administradora Acciones del Noreste S.A.P.I. de C.V. (“Grupo Tampico”), one of the largest family-owned Coca-Cola bottlers calculated by sales volume in Mexico. This franchise territory operates in the states of Tamaulipas, San Luis Potosí, and Veracruz, as well as in parts of the states of Hidalgo, Puebla and Queretaro and sold 155.7 million unit cases of beverages in 2011. The aggregate enterprise value of this transaction was Ps. 9,300 million and a total of 63.5 million new KOF Series L shares were issued in connection with this transaction. We began to consolidate Grupo Tampico in our financial statements as of October 2011.

In December 2011, we closed our merger with Corporación de los Angeles, S.A. de C.V. and its shareholders (“Grupo CIMSA”), a Mexican family-owned Coca-Cola bottler with operations mainly in the states of Morelos and Mexico, as well as in parts of the states of Guerrero and Michoacán. This franchise territory sold 154.8 million unit cases of beverages in 2011. The aggregate enterprise value of this transaction was Ps. 11,000 million and a total of 75.4 million new KOF Series L shares were issued in connection with this transaction. We began to consolidate Grupo CIMSA in our financial statements as of December 2011. As part of our merger with Grupo CIMSA we also acquired a 13.2% equity interest in Promotora Industria Azucarera S.A de C.V. (“Piasa”).

**Recent Mergers and Acquisitions**

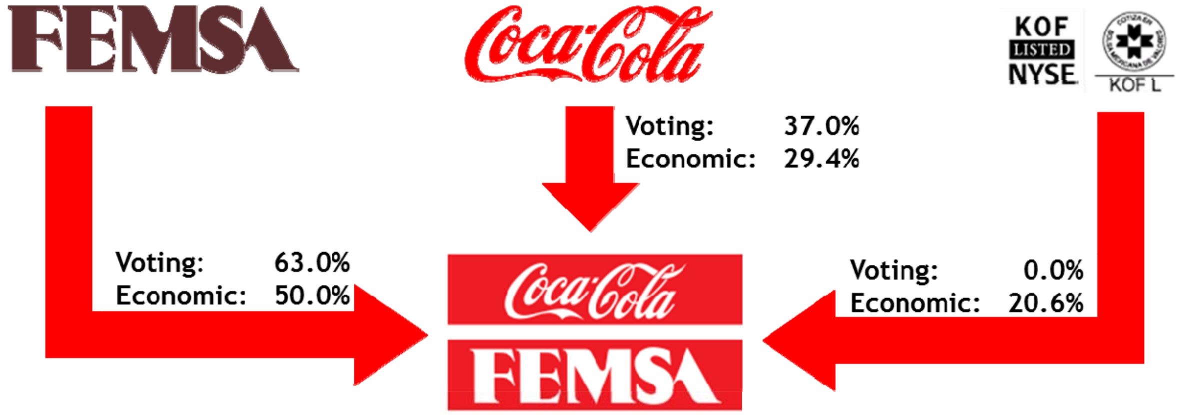
On December 15, 2011, the Company entered into an agreement to merge the beverage division of Grupo Fomento Queretano, S.A.P.I. de C.V. (“Grupo Fomento Queretano”) into the Company. Grupo Fomento Queretano’s beverage division operates mainly in the state of Queretaro, as well as in parts of the states of Mexico, Hidalgo and Guanajuato. The merger agreement was approved by both Coca-Cola FEMSA’s and Grupo Fomento Queretano’s boards of directors and is subject to the approval of the *Comisión Federal de Competencia* (the Mexican Antitrust Commission or CFC), and the shareholder’s meetings of both companies. The transaction will involve the issuance of approximately 45.1 million of the company’s newly issued series L shares, and in addition the company will assume Ps. 1,221 million in net debt. This transaction is expected to be completed in second quarter of 2012.

In February 2012, we entered into a 12-month exclusivity agreement with The Coca-Cola Company to evaluate the potential acquisition of a controlling ownership stake in the bottling operations owned by The Coca-Cola Company in the Philippines. We remain in the process of evaluating this potential acquisition.

**Capital Stock**

As of April 20, 2012, FEMSA indirectly owned Series A Shares equal to 50.0% of our capital stock (63.0% of our capital stock with full voting rights). As of April 20, 2012, The Coca-Cola Company indirectly owned Series D shares equal to 29.4% of the capital stock of our company (37.0% of our capital stock with full voting rights).

Series L shares with limited voting rights, which trade on the Mexican Stock Exchange and in the form of ADSs on the New York Stock Exchange, constitute the remaining 20.6% of our capital stock.




**Business Strategy**

In August 2011, we restructured our operations under only two new divisions: Mexico & Central America and South America, creating a more flexible structure to execute our strategies and extend our track record of growth. Previously, we managed our business under three divisions—Mexico, Latincentro, and Mercosur. With this new business structure, we aligned our business strategies more efficiently, ensuring a faster introduction of new products and categories, and a more rapid and effective design and deployment of commercial models. **See "Introduction—Business Divisions."**

We operate with a large geographic footprint in Latin America, in two divisions:

- Mexico and Central America (covering certain territories in Mexico, Guatemala, Nicaragua, Costa Rica and Panama); and

- South America (covering certain territories in Colombia, Brazil, Venezuela and Argentina).

One of our goals is to maximize growth and profitability to create value for our shareholders. Our efforts to achieve this goal are based on: (1) transforming our commercial models to focus on our customers' value potential and using a value-based segmentation approach to capture the industry's value potential, (2) implementing multi-segmentation strategies in our major markets to target distinct market clusters divided by consumption occasion, competitive intensity and socioeconomic levels; (3) implementing well-planned product, packaging and pricing strategies through different distribution channels; (4) driving product innovation along our different product categories; (5) developing new businesses and distribution channels, and (6) achieving the full operating potential of our commercial models and processes to drive operational efficiencies throughout our company. To achieve these goals, we intend to continue to focus our efforts on, among other initiatives, the following:

- working with The Coca-Cola Company to develop a business model to continue exploring and participating in new lines of beverages, extending existing product lines and effectively advertising and marketing our products;

- developing and expanding our still beverage portfolio through innovation, strategic acquisitions and by entering into agreements to acquire companies with The Coca-Cola Company;

- expanding our bottled water strategy, with The Coca-Cola Company through innovation and selective acquisitions to maximize profitability across our market territories;

- strengthening our selling capabilities and go-to-market strategies, including pre-sale, conventional selling and hybrid routes, in order to get closer to our clients and help them satisfy the beverage needs of consumers;

- implementing selective packaging strategies designed to increase consumer demand for our products and to build a strong returnable base for the *Coca-Cola* brand;

- replicating our best practices throughout the value chain;

- rationalizing and adapting our organizational and asset structure in order to be in a better position to respond to a changing competitive environment;

- committing to building a multi-cultural collaborative team, from top to bottom; and

- broadening our geographic footprint through organic growth and strategic joint ventures, mergers and acquisitions.

We seek to increase per capita consumption of our products in the territories in which we operate. To that end, our marketing teams continuously develop sales strategies tailored to the different characteristics of our various territories and distribution channels. We continue to develop our product portfolio to better meet market demand and maintain our overall profitability. To stimulate and respond to consumer demand, we continue to introduce new categories, products and presentations. **See "—Product and Packaging Mix."** In addition, because we view our relationship with The Coca-Cola Company as integral to our business, we use market information systems and strategies developed with The Coca-Cola Company to improve our business and marketing strategies. **See "Item 4. Information on the Company—The Company—Description of Property, Plant and Equipment."**

We also continuously seek to increase productivity in our facilities through infrastructure and process reengineering for improved asset utilization. Our capital expenditure program includes investments in production and distribution facilities, bottles, cases, coolers and information systems. We believe that this program will allow us to maintain our capacity and flexibility to innovate and to respond to consumer demand for our products.

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

Sustainable development is an integral part of our strategic framework for business growth. We base our efforts on five core areas which include: (i) Ethics and Corporate Values, which defines our commitment to acting, defining and organizing ourselves with our corporate values and culture; (ii) Quality of Life in the Company, which encourages the integral development of our employees and their families; (iii) Health and Wellness, to promote an attitude of health, self-care, nutrition and physical activity, both within and outside the company; (iv) Community Engagement, to develop education and learning projects that improve the quality of life in the communities where we operate; and (v) Environmental Care, to establish guidelines that result in actions to minimize the impact that our operations might have on the environment and create a broader awareness of caring for our environment.

**Our Territories**

The following map shows our territories, giving estimates in each case of the population to which we offer products, the number of retailers of our beverages and the per capita consumption of our beverages as of December 31, 2011:

**Central America (Guatemala, Nicaragua, Costa Rica and Panama)**

Population: 19.3 million

Retailers: 95.6 thousand

Total beverages per capita consumption: 179 eight-ounce servings

**Venezuela**

Population: 30.3 million

Retailers: 209.6 thousand

Total beverages per capita consumption: 150 eight-ounce servings

**Mexico**

Population: 61.8 million

Retailers: 767.8 thousand

Total beverages per capita consumption: 632 eight-ounce servings

**Brazil**

Population: 44.6 million

Retailers: 191.0 thousand

Total beverages per capita consumption: 261 eight-ounce servings

**Colombia**

Population: 46.8 million

Retailers: 395.3 thousand

Total beverages per capita consumption: 129 eight-ounce servings

**Argentina**

Population: 12.8 million

Retailers:  77.4 thousand

Total beverages per capita consumption: 395 eight-ounce servings]

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

## Our Products

We produce, market and distribute *Coca-Cola* trademark beverages The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages), waters, and still beverages (including juice drinks, coffee, teas and isotonic). The following table sets forth our main brands as of December 31, 2011:

| ***Colas:*** | **Mexico and Central America**[(1)] | **South America**[(2)] | **Venezuela** |
|---|---|---|---|
| *Coca-Cola* | ✔ | ✔ | ✔ |
| *Coca-Cola Light* | ✔ | ✔ | ✔ |
| *Coca-Cola Zero* | ✔ | ✔ | |

| ***Flavored sparkling beverages:*** | **Mexico and Central America**[(1)] | **South America**[(2)] | **Venezuela** |
|---|---|---|---|
| *Chinotto* | | | ✔ |
| *Crush* | | ✔ | |
| *Fanta* | ✔ | ✔ | |
| *Fresca* | ✔ | | |
| *Frescolita* | ✔ | | ✔ |
| *Hit* | | | ✔ |
| *Kist* | ✔ | | |
| *Kuat* | | ✔ | |
| *Lift* | ✔ | | |
| *Mundet* | ✔ | | |
| *Quatro* | | ✔ | |
| *Simba* | | ✔ | |
| *Sprite* | ✔ | ✔ | |
| *Schweppes* | ✔ | ✔ | ✔ |

| ***Water:*** | **Mexico and Central America**[(1)] | **South America**[(2)] | **Venezuela** |
|---|---|---|---|
| *Alpina* | ✔ | | |
| *Aquarius*[(3)] | | ✔ | |
| *Brisa* | | ✔ | |
| *Ciel* | ✔ | | |
| *Crystal* | | ✔ | |
| *Manantial* | | ✔ | |
| *Nevada* | | | ✔ |

| ***Other Categories:*** | **Mexico and Central America**(1) | **South America**(2) | **Venezuela** |
|---|---|---|---|
| *Cepita* | | ✔ | |
| *Hi-C*(4) | ✔ | ✔ | |
| *Jugos del Valle*(5) | ✔ | ✔ | ✔ |
| *Nestea*(6) | ✔ | | ✔ |
| *Powerade*(7) | ✔ | ✔ | ✔ |
| *Matte Leao*(8) | | ✔ | |
| *Valle Frut*(9) | ✔ | ✔ | ✔ |
| *Estrella Azul*(10) | ✔ | | |
| *Hugo*(11) | | ✔ | |
| *Del Prado*(12) | ✔ | | |

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama
(2) Includes Colombia, Brazil and Argentina
(3) Flavored water. In Brazil, also flavored sparkling beverage
(4) Juice-based beverage. Includes Hi-C Orangeade in Argentina
(5) Juice based beverage
(6) Nestea will no longer be a product licensed by The Coca-Cola Company in our territories as of May 2012 and will be replaced with Fuze Tea
(7) Isotonic
(8) Ready to drink tea
(9) Orangeade. Includes *Fresh* in Costa Rica, Nicaragua, Panama, Colombia and Venezuela
(10) Milk and value-added dairy and juices
(11) Milk and juice blend
(12) Juice-based beverages

**Sales Overview**

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

| | **Sales Volume Year Ended December 31,** | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| | **(millions of unit cases)** | | |
| Mexico and Central America | | | |
| Mexico(1) | 1,366.5 | 1,242.3 | 1,227.2 |
| Central America(2) | 144.3 | 137.0 | 135.8 |
| South America (excluding Venezuela) | | | |
| Colombia(3) | 252.1 | 244.3 | 232.2 |
| Brazil(4) | 485.3 | 475.6 | 424.1 |
| Argentina | 210.7 | 189.3 | 184.1 |
| Venezuela | 189.8 | 211.0 | 225.2 |
| Combined Volume | 2,648.7 | 2,499.5 | 2,428.6 |

(1) Includes results of Grupo Tampico from October 2011 and Grupo CIMSA from December 2011.
(2) Includes Guatemala, Nicaragua, Costa Rica and Panama.
(3) As of June 2009, includes sales from the Brisa bottled water business.
(4) Excludes beer sales volume. As of the first quarter of 2010, we began to distribute certain ready to drink products under the *Matte Leao* brand.

**Product and Packaging Mix**

Out of the more than 120 brands and line extensions of beverages that we sell and distribute, our most important brand, *Coca-Cola*, together with its line extensions, *Coca-Cola Light* and *Coca-Cola Zero*, accounted for 61.6% of total sales volume in 2011. Our next largest brands, *Ciel* (a water brand from Mexico), *Fanta* (and its line extensions), *Sprite* (and its line extensions) and *ValleFrut* (and its line extensions), accounted for 10.4%, 5.1%, 2.7% and 2.2%, respectively, of total sales volume in 2011. We use the term line extensions to refer to the different flavors in which we offer our brands. We produce, market and distribute *Coca-Cola* trademark beverages in each of our territories in containers authorized by The Coca-Cola Company, which consist of a variety of returnable and non-returnable presentations in the form of glass bottles, cans and plastic bottles mainly made of polyethylene terephthalate, which we refer to as PET.

We use the term presentation to refer to the packaging unit in which we sell our products. Presentation sizes for our *Coca-Cola* trademark beverages range from a 6.5-ounce personal size to a 3-liter multiple serving size. For all of our products excluding water, we consider a multiple serving size as equal to, or larger than, 1.0 liter. In general, personal sizes have a higher price per unit case as compared to multiple serving sizes. We offer both returnable and non-returnable presentations, which allow us to offer portfolio alternatives based on convenience and affordability to implement revenue management strategies and to target specific distribution channels and population segments in our territories. In addition, we sell some *Coca-Cola* trademark beverage syrups in containers designed for soda fountain use, which we refer to as fountain. We also sell bottled water products in bulk sizes, which refer to presentations equal to or larger than 5 liters, which have a much lower average price per unit case than our other beverage products.

The characteristics of our territories are very diverse. Central Mexico and our territories in Argentina are densely populated and have a large number of competing beverage brands as compared to the rest of our territories. Our territories in Brazil are densely populated but have lower per capita consumption of beverage products as compared to Mexico. Portions of southern Mexico, Central America and Colombia are large and mountainous areas with lower population density, lower per capita income and lower per capita consumption of beverages. In Venezuela, we face operational disruptions from time to time, which may have an effect on our volumes sold, and consequently, may result in lower per capita consumption.

The following discussion analyzes our product and packaging mix by reporting segment. The volume data presented is for the years 2011, 2010, and 2009.

***Mexico and Central America.*** Our product portfolio consists of *Coca-Cola* trademark beverages. In 2008, as part of our efforts to strengthen our multi-category beverage portfolio, we incorporated the *Jugos del Valle* line of juice based beverages in Mexico and subsequently in Central America. Per capita consumption of our beverage products in Mexico and Central America was 632 and 179 eight-ounce servings, respectively, in 2011.

The following table highlights historical sales volume and mix in Mexico and Central America for our products:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Total Sales Volume**(1) | **(millions of unit cases)** | | |
| Total | 1,510.8 | 1,379.3 | 1,363.0 |
| % Growth | 9.5% | 1.2% | 6.3% |
| **Unit Case Volume Mix by Category** | **(in percentages)** | | |
| Sparkling beverages | 74.9% | 75.2% | 74.7% |
| Water(2) | 19.7 | 19.4 | 20.2 |
| Still beverages | 5.4 | 5.4 | 5.1 |
| Total | 100.0% | 100.0% | 100.0% |

(1) Includes results from the operations of Grupo Tampico from October 2011 and from Grupo CIMSA from December 2011.
(2) Includes bulk water volumes.

In 2011, multiple serving presentations represented 67.6% of total sparkling beverages sales volume in Mexico, remaining flat as compared to 2010 and 55.7% of total sparkling beverages sales volume in Central America, a 60 basis points decrease compared to 2010. Our strategy is to foster consumption in single serving presentations while maintaining multiple serving volumes. In 2011, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 31.7% in Mexico, a 130 basis points increase compared to 2010; and 31.7% in Central America, a 150 basis points decrease compared to 2010.

In 2011, our sparkling beverages decreased as a percentage of our total sales volume from 75.2% in 2010 to 74.9% in 2011, mainly due to the integration of Grupo Tampico and Grupo CIMSA in Mexico, which have a higher mix of water in their portfolios.

In 2011, our most popular sparkling beverage presentations in Mexico were the 2.5-liter returnable plastic bottle, the 3.0-liter non-returnable plastic bottle and the 0.6-liter non-returnable plastic bottle (the 20-ounce bottle that is also popular in the United States), which together accounted for 56.8% of total sparkling beverage sales volume in Mexico.

Total sales volume reached 1,510.8 million unit cases in 2011, an increase of 9.5% compared to 1,379.3 million unit cases in 2010. The integration of Grupo Tampico and Grupo CIMSA in Mexico contributed 48.9 million unit cases in 2011of which 63.0% were sparkling beverages, 5.2% bottled water, 27.4% bulk water and 4.4% still beverages. Excluding the integration of these territories, volume grew 6.0% to 1,461.8 million unit cases. Organically sparkling beverages sales volume increased 6.0% as compared to 2010, contributing more than 70% of incremental volumes. The bottled water category, including bulk water, grew 5.6%, accounting for more than 15% of incremental volumes. The still beverage category increased 7.5%, representing the remainder of incremental volumes.

***South America (Excluding Venezuela).*** Our product portfolio in South America consists mainly of *Coca-Cola* trademark beverages and the *Kaiser* beer brands in Brazil, which we sell and distribute. In 2008, as part of our efforts to strengthen our multi-category beverage portfolio, we incorporated the *Jugos del Valle* line of juice-based beverages in Colombia. This line of beverages was relaunched in Brazil in 2009 as well. The acquisition of Brisa in 2009 helped us to become the leader, calculated by sales volume, in the water market in Colombia.

In 2010, we incorporated ready to drink beverages under the *Matte Leao* brand in Brazil. During 2011, as part of our continuous effort to develop non-carbonated beverages, we launched *Cepita* in non-returnable PET bottles and *Hi-C*, an orangeade, both in Argentina. Since 2009, as part of our efforts to foster sparkling beverage per capita consumption in Brazil, we re-launched a 2.0-liter returnable plastic bottle for the *Coca-Cola* brand and introduced two single-serve 0.25-liter presentations. During 2011, these presentations contributed significantly to incremental volumes in Brazil. Per capita consumption of our beverages in Colombia, Brazil and Argentina was 129, 261 and 395 eight-ounce servings, respectively, in 2011.

The following table highlights historical total sales volume and sales volume mix in South America (excluding Venezuela), not including beer:

| | **Year Ended December 31,** | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Total Sales Volume** | | **(millions of unit cases)** | |
| Total | 948.1 | 909.2 | 840.4 |
| % Growth | 4.3% | 11.2% | 8.4% |
| **Unit Case Volume Mix by Category** | | | **(in percentages)** |
| Sparkling beverages | 85.9% | 85.5% | 87.2% |
| Water[(1)] | 9.2 | 10.1 | 8.8 |
| Still beverages | 4.9 | 4.4 | 4.0 |
| Total | 100.0% | 100.0% | 100.0% |

(1) Includes bulk water volume.

Total sales volume was 948.1 million unit cases in 2011, an increase of 4.3% compared to 909.2 million unit cases in 2010. Growth in sparkling beverages, mainly driven by sales of the *Coca-Cola* brand in both Argentina and Colombia, and the Fanta and Schweppes brands in Brazil, accounted for the majority of the growth during the year. Growth in still beverages, mainly driven by the *Jugos del Valle* line of products in Brazil and the *Cepita* juice brand and *Hi-C* orangeade in Argentina, represented the balance of incremental volumes. These increases compensated for a decrease in volume in our water portfolio, including bulk water, mainly driven by the reduction in volume of the *Brisa* brand in Colombia.

In 2011, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 39.6% in Colombia, a 240 basis points decrease compared to 2010; 27.8% in Argentina, a decrease of 70 basis points and 15.8% in Brazil, a 100 basis points increase compared to 2010. In 2011, multiple serving presentations represented 62.1%, 71.3% and 85.0% of total sparkling beverages sales volume in Colombia, Brazil and Argentina, respectively.

We continue to distribute and sell the *Kaiser* beer portfolio in our Brazilian territories through the 20-year term, consistent with the arrangements in place with Cervejarias Kaiser, a subsidiary of the Heineken Group, since 2006, prior to the acquisition of Cervejarias Kaiser by Cuauhtémoc Moctezuma Holding, S.A. de C.V., formerly known as FEMSA Cerveza. Beginning in the second quarter of 2005, we ceased including beer that we distribute in Brazil in our reported sales volumes. On April 30, 2010, the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group closed.

***Venezuela.*** Our product portfolio in Venezuela consists of *Coca-Cola* trademark beverages. Per capita consumption of our beverages in Venezuela during 2011 was 150 eight-ounce servings.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Total Sales Volume** | **(millions of unit cases)** | | |
| Total | 189.8 | 211.0 | 225.2 |
| % Growth | (10.0%) | (6.3%) | 9.0% |
| **Unit Case Volume Mix by Category** | | | **(in percentages)** |
| Sparkling beverages | 91.7% | 91.3% | 91.7% |
| Water(1) | 5.4 | 6.5 | 5.7 |
| Still beverages | 2.9 | 2.2 | 2.6 |
| Total | 100.0% | 100.0% | 100.0% |

(1) Includes bulk water volume.

We have implemented a product portfolio rationalization strategy that allows us to minimize the impact of certain operating disruptions that have been recurrent in Venezuela over the last several years. During 2011, we faced a 26 day strike at one of our Venezuelan production and distribution facilities and a difficult economic environment that prevented us from growing sales volume of our products. As a result our sparkling beverage volume decreased by 9.6%.

In 2011, multiple serving presentations represented 78.4% of total sparkling beverages sales volume in Venezuela, an 80 basis points increase compared to 2010. In 2011, returnable presentations represented 8.0% of total sparkling beverages sales volume in Venezuela, a 40 basis points increase compared to 2010. Total sales volume was 189.8 million unit cases in 2011, a decrease of 10.0% compared to 211.0 million unit cases in 2010

**Seasonality**

Sales of our products are seasonal, as our sales levels generally increase during the summer months of each country and during the Christmas holiday season. In Mexico, Central America, Colombia and Venezuela, we typically achieve our highest sales during the summer months of April through September as well as during the

Christmas holidays in December. In Brazil and Argentina, our highest sales levels occur during the summer months of October through March and the Christmas holidays in December.

**Marketing**

Our Company, in conjunction with The Coca-Cola Company, has developed a marketing strategy to promote the sale and consumption of our products. We rely extensively on advertising, sales promotions and retailer support programs to target the particular preferences of our consumers. Our consolidated marketing expenses in 2011, net of contributions by The Coca-Cola Company, were Ps. 4,508 million. The Coca-Cola Company contributed an additional Ps. 2,561 million in 2011, which mainly includes contributions for coolers, bottles and cases. Through the use of advanced information technology, we have collected customer and consumer information that allow us to tailor our marketing strategies to target different types of customers located in each of our territories and to meet the specific needs of the various markets we serve.

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

***Coolers***. Cooler distribution among retailers is important for the visibility and consumption of our products and to ensure that they are sold at the proper temperature.

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

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

***Multi-Segmentation***. We have been implementing a multi-segmentation strategy in the majority of our markets. This strategy consists of the implementation of different product/price/package portfolios by market cluster or group. These clusters are defined based on consumption occasion, competitive intensity and socio-economic levels, rather than solely on the types of distribution channels.

***Client Value Management***. We have been transforming our commercial models to focus on our customers' value potential using a value-based segmentation approach to capture the industry's potential. We started the rollout of this new model in our Mexico, Central America, Colombia and Brazil operations in 2009 and have covered close to 90% of our total volumes as of the end of 2011.

We believe that the implementation of these strategies described above also enables us to respond to competitive initiatives with channel-specific responses as opposed to market-wide responses. In addition, it allows us to be more efficient in the way we go to market and invest our marketing resources in those segments that could provide a higher return. Our marketing, segmentation and distribution activities are facilitated by our management information systems. We have invested significantly in creating these systems, including in hand-held computers to support the gathering of product, consumer and delivery information for most of our sales routes throughout our territories.

### Product Sales and Distribution

The following table provides an overview of our distribution centers and the retailers to which we sell our products:

**Product Distribution Summary**
**as of December 31, 2011**

| | Mexico and Central America[1] | South America[2] | Venezuela |
|---|---|---|---|
| Distribution centers | 152 | 65 | 32 |
| Retailers [3] | 863,409 | 663,678 | 209,597 |

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

We continuously evaluate our distribution model in order to fit with the local dynamics of the marketplace and analyze the way we go to market, recognizing different service needs from our customers, while looking for a more efficient distribution model. As part of this strategy, we are rolling out a variety of new distribution models throughout our territories looking for improvements in our distribution network.

We use several sales and distribution models depending on market, geographic conditions and the customer's profile: (1) the pre-sale system, which separates the sales and delivery functions, permitting trucks to be loaded with the mix of products that retailers have previously ordered, thereby increasing both sales and distribution efficiency, (2) the conventional truck route system, in which the person in charge of the delivery makes immediate sales from inventory available on the truck, (3) a hybrid distribution system, where the same truck carries product available for immediate sale and product previously ordered through the pre-sale system, (4) the telemarketing system, which could be combined with pre-sales visits and (5) sales through third-party wholesalers of our products.

As part of the pre-sale system, sales personnel also provide merchandising services during retailer visits, which we believe enhance the shopper experience at the point of sale. We believe that an adequate number of service visits to retailers and frequency of deliveries are essential elements in an effective selling and distribution system for our products.

Our distribution centers range from large warehousing facilities and re-loading centers to small deposit centers. In addition to our fleet of trucks, we distribute our products in certain locations through electric carts and hand-trucks in order to comply with local environmental and traffic regulations. In some of our territories, we retain third parties to transport our finished products from the bottling plants to the distribution centers.

***Mexico***. We contract with a subsidiary of FEMSA for the transportation of finished products to our distribution centers from our Mexican production facilities. **See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."** From the distribution centers, we then distribute our finished products to retailers through our own fleet of trucks.

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

***Brazil.*** In Brazil, we sold 21.1% of our total sales volume through supermarkets in 2011. Also in Brazil, the delivery of our finished products to customers is completed by a third party, while we maintain control over the selling function. In designated zones in Brazil, third-party distributors purchase our products at a discount from the wholesale price and resell the products to retailers.

***Territories other than Mexico and Brazil***. We distribute our finished products to retailers through a combination of our own fleet of trucks and third party distributors. In most of our territories, an important part of our total sales volume is sold through small retailers, with low supermarket penetration.

**Competition**

Although we believe that our products enjoy wider recognition and greater consumer loyalty than those of our principal competitors, the markets in the territories in which we operate are highly competitive. Our principal competitors are local *Pepsi* bottlers and other bottlers and distributors of national and regional beverage brands. We face increased competition in many of our territories from producers of low price beverages, commonly referred to as “B brands.” A number of our competitors in Central America, Venezuela, Brazil and Argentina offer beer in addition to sparkling beverages, still beverages, and water, which may enable them to achieve distribution efficiencies.

Price discounting and packaging have joined consumer sales promotions, customer service and non-price retailer incentives as the primary means of competition among bottlers. We compete by seeking to offer products at an attractive price in the different segments in our markets and by building on the value of our brands. We believe that the introduction of new products and new presentations has been a significant competitive technique that allows us to increase demand for our products, provide different options to consumers and increase new consumption opportunities. **See “—Sales Overview.”**

***Mexico and Central America***. Our principal competitors in Mexico are bottlers of *Pepsi* products, whose territories overlap but are not co-extensive with our own. We compete with a joint venture recently formed by Grupo Embotelladores Unidos, S.A.B. de C.V., the former *Pepsi* bottler in central and southeast Mexico, a subsidiary of PepsiCo, and Empresas Polar, S.A., the leading beer distributor and *Pepsi* bottler in Venezuela. Our main competition in the juice category in Mexico is Grupo Jumex. In the water category, *Bonafont*, a water brand owned by Group Danone, is our main competition. In addition, we compete with Cadbury Schweppes in sparkling beverages and with other national and regional brands in our Mexican territories, as well as low-price producers, such as Big Cola and Consorcio AGA, S.A. de C.V., that offer various presentations of sparkling and still beverages.

In the countries that comprise our Central America region, our main competitors are *Pepsi* and *Big Cola* bottlers. In Guatemala and Nicaragua, we compete with a joint venture between AmBev and The Central American Bottler Corporation. In Costa Rica, our principal competitor is Florida Bebidas S.A., subsidiary of Florida Ice and Farm Co. In Panama, our main competitor is Cervecería Nacional, S.A. We also face competition from “B brands” offering multiple serving size presentations in some Central American countries.

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

In Brazil, we compete against AmBev, a Brazilian company with a portfolio of brands that includes *Pepsi*, local brands with flavors such as guaraná, and proprietary beer brands. We also compete against “B brands” or “Tubainas,” which are small, local producers of low-cost flavored sparkling beverages in multiple serving presentations that represent a significant portion of the sparkling beverage market.

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

***Venezuela***. In Venezuela, our main competitor is Pepsi-Cola Venezuela, C.A., a joint venture formed between PepsiCo and Empresas Polar, S.A., the leading beer distributor in the country. We also compete with the producers of *Big Cola* in part of the country.

**Raw Materials**

Pursuant to our bottler agreements, we are authorized to manufacture, sell and distribute *Coca-Cola* trademark beverages within specific geographic areas, and we are required to purchase in some of our territories for all *Coca-Cola* trademark beverages concentrate from companies designated by The Coca-Cola Company and artificial sweeteners from companies authorized by The Coca-Cola Company. Concentrate prices for sparkling beverages are determined as a percentage of the weighted average retail price in local currency net of applicable taxes. Although The Coca-Cola Company has the right to unilaterally set the price of concentrates, in practice this percentage has historically been set pursuant to periodic negotiations with The Coca-Cola Company.

In 2005, The Coca-Cola Company decided to gradually increase concentrate prices for sparkling beverages in Brazil and Mexico. These increases were fully implemented in Brazil in 2008 and in Mexico in 2009. As part of the cooperation framework that we reached with The Coca-Cola Company at the end of 2006, The Coca-Cola Company will provide a relevant portion of the funds derived from the concentrate increase for marketing support of our sparkling and still beverages portfolio. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Cooperation Framework with The Coca-Cola Company."**

In addition to concentrate, we purchase sweeteners, carbon dioxide, resin and ingots to make plastic bottles, finished plastic and glass bottles, cans, caps and fountain containers, as well as other packaging materials and raw materials. Sweeteners are combined with water to produce basic syrup, which is added to the concentrate as the sweetener for most of our beverages. Our bottler agreements provide that, with respect to *Coca-Cola* trademark beverages, these materials may be purchased only from suppliers approved by The Coca-Cola Company, including affiliates of FEMSA. Prices for packaging materials and HFCS historically have been determined with reference to the U.S. dollar, although the local currency equivalent in a particular country is subject to price volatility in accordance with changes in exchange rates. Our most significant packaging raw material costs arise from the purchase of resin, plastic ingots to make plastic bottles and finished plastic bottles, which we obtain from international and local producers. The prices of these materials are tied to crude oil prices and global resin supply. In recent years we have experienced volatility in the prices we pay for these materials. Across our territories, our average price for resin in U.S. dollars increased approximately 30% in 2011 as compared to 2010.

Under our agreements with The Coca-Cola Company, we may use raw or refined sugar or HFCS as sweeteners in our products. Sugar prices in all of the countries in which we operate, other than Brazil, are subject to local regulations and other barriers to market entry that cause us to pay in excess of international market prices for sugar in certain countries. In recent years, international sugar prices experienced significant volatility.

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

***Mexico and Central America***. In Mexico, we purchase our returnable plastic bottles from Graham Packaging México, S.A. de C.V., known as Graham, which is the exclusive supplier of returnable plastic bottles to The Coca-Cola Company and its bottlers in Mexico. We mainly purchase resin from Indorama Ventures Polymers México, S. de R.L. de C.V. (formerly Arteva Specialties, S. de R.L. de C.V.), M. & G. Polímeros México S.A. de C.V. and DAK Resinas Americas Mexico S.A. de C.V., which ALPLA México S.A. de C.V., known as ALPLA, and Envases Innovativos de México S.A. de C.V. manufacture into non-returnable plastic bottles for us.

We purchase all of our cans from Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of *Coca-Cola* bottlers, in which, as of April 20, 2012, we hold a 25.0% equity interest. We mainly purchase our glass bottles from Compañía Vidriera, S.A. de C.V., known as VITRO, and Glass & Silice, S.A. de C.V., (formerly Vidriera de Chihuahua, S.A. de C.V., or VICHISA), a wholly-owned subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V. (formerly FEMSA Cerveza), currently a wholly-owned subsidiary of the Heineken Group.

We purchase sugar from, among other suppliers, Piasa and Beta San Miguel, S.A. de C.V., or Beta San Miguel, both sugar cane producers in which, as of April 20, 2012, we hold an approximate 13.2% and 2.5% equity interest, respectively. We purchase HFCS from CP Ingredientes, S.A. de C.V. and Almidones Mexicanos, S.A. de C.V., known as Almex.

Imported sugar is subject to import duties, the amount of which is set by the Mexican government. As a result, sugar prices in Mexico are in excess of international market prices for sugar, and in 2011, were 47% higher on average in Mexico. In 2011, sugar prices increased approximately 29% as compared to 2010.

In Central America, the majority of our raw materials such as glass and plastic bottles are purchased from several local suppliers. We purchase all of our cans from PROMESA. Sugar is available from suppliers that represent several local producers. Local sugar prices, in the countries that comprise the region, have increased mainly due to volatility in international prices. In Costa Rica, we acquire plastic non-returnable bottles from ALPLA C.R. S.A., and in Nicaragua we acquire such plastic bottles from ALPLA Nicaragua, S.A.

***South America (excluding Venezuela)***. In Colombia, we use sugar as a sweetener in most of our products, which we buy from several domestic sources. During 2011, we started to use HFCS as an alternative sweetener for our products. We purchase HFCS from Archer Daniels Midland Company. We purchase plastic bottles from Amcor and Tapón Corona de Colombia S.A. We purchase all our glass bottles from Peldar O-I and cans from Crown, both suppliers in which Grupo Ardila Lulle, owners of our competitor Postobón, own a minority equity interest. Glass bottles and cans are available only from these local sources.

Sugar is available in Brazil at local market prices, which historically have been similar to international prices. Sugar prices in Brazil in recent periods have been volatile, mainly due to the increased demand for sugar cane for production of alternative fuels, and our average acquisition cost for sugar in 2011 increased approximately 30% as compared to 2010. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk."** We purchase glass bottles, plastic bottles and cans from several domestic and international suppliers.

In Argentina, we mainly use HFCS that we purchase from several different local suppliers as a sweetener in our products instead of sugar. We purchase glass bottles, plastic cases and other raw materials from several domestic sources. We purchase pre-formed plastic ingots, as well as returnable plastic bottles, at competitive prices from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina S.A., a Coca-Cola bottler with operations in Argentina, Chile and Brazil, and other local suppliers. We also acquire pre-formed plastic ingots from ALPLA Avellaneda S.A. and other suppliers. We produce our own can presentations, aseptic packaging and hot filled products for distribution of our products to our customers in Buenos Aires.

***Venezuela***. We use sugar as a sweetener in all of our products, which we purchase mainly from the local market. Since 2003, from time to time, we have experienced a sugar shortage due to lower domestic production and the inability of the predominant sugar importers to obtain permission to import in a timely manner. While sugar distribution to the food and beverages industry and to retailers is controlled by the government, we did not experience any disruptions during 2011 with respect to acces to sufficient sugar supply. However, we cannot assure you that we will not experience disruptions in our ability to meet our sugar requirements in the future should the Venezuelan government impose restrictive measures in the future. We buy glass bottles from one local supplier, Productos de Vidrio, S.A., but there are alternative suppliers authorized by The Coca-Cola Company. We acquire most of our plastic non-returnable bottles from ALPLA de Venezuela, S.A. and all of our aluminum cans from a local producer, Dominguez Continental, C.A.

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

## REGULATION

We are subject to regulation in each of the territories in which we operate. The adoption of new laws or regulations in the countries in which we operate may increase our operating costs, our liabilities or impose restrictions on our operations which, in turn, may adversely affect our financial condition, business and results from operations. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on our future results from operations or financial condition.

### Price Controls

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries in which we operate. Currently, there are no price controls on our products in any of the territories in which we have operations, except for (i) Argentina, where authorities directly supervise certain products sold through supermarkets to control inflation; and (ii) Venezuela, where the government has recently imposed price controls on certain products including still bottled water. **See "Item 3. Key Information—Risk Factors—*Regulatory developments may adversely affect our business*."**

### Taxation of Sparkling Beverages

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

- Guatemala imposes an excise tax of 0.18 cents in local currency (Ps. 0.3221 as of December 31, 2011) per liter of sparkling beverage.

- Costa Rica imposes a specific tax on non-alcoholic bottled beverages based on the combination of packaging and flavor, currently assessed at 15.50 colones (Ps. 0.4180 as of December 31, 2011) per 250 ml, and an excise tax on local brands of 5%, foreign brands of 10% and mixers of 14%.

- Nicaragua imposes a 9% tax on consumption, and municipalities impose a 1% tax on our Nicaraguan gross income.

- Panama imposes a 5% tax based on the cost of goods produced. Panama also imposes a 10% selective consumption tax on syrups, powders and concentrate.

- Brazil imposes an average production tax of approximately 4.9% and an average sales tax of approximately 9.6%, both assessed by the federal government. Most of these taxes are fixed, based on average retail prices in each state where the company operates (VAT) or fixed by the federal government (excise and sales tax).

- Argentina imposes an excise tax on sparkling beverages containing less than 5% lemon juice or less than 10% fruit juice of 8.7%, and an excise tax on flavored sparkling beverages with 10% or more fruit juice and on sparkling water of 4.2%, although this excise tax is not applicable to certain of our products.

### Water Supply Law

In Mexico, we obtain water directly from municipal utility companies and pump water from our own wells pursuant to concessions obtained from the Mexican government on a plant-by-plant basis. Water use in Mexico is regulated primarily by the *Ley de Aguas Nacionales de 1992* (the 1992 Water Law), which was amended in 2004, and regulations issued thereunder, which created the *Comisión Nacional del Agua* (the National Water Commission). The National Water Commission is in charge of overseeing the national system of water use. Under the 1992 Water Law, as amended, concessions for the use of a specific volume of ground or surface water generally run from five to fifty-year terms, depending on the supply of groundwater in each region as projected by the National Water Commission. Concessionaires may request concession terms be extended before the expiration of the same. The Mexican government is authorized to reduce the volume of ground or surface water granted for use by a concession by whatever volume of water is not used by the concessionaire for two consecutive years. However, because the current concessions for each of our plants in Mexico do not match each plant's projected needs for water in future years, we successfully negotiated with the Mexican government the right to transfer the unused volume under concessions from certain plants to other plants anticipating greater water usage in the future. Our concessions may be terminated if, among other things, we use more water than permitted or we fail to pay required concession-related fees and do not cure such situations in a timely manner. Although we have not undertaken independent studies to confirm the sufficiency of the existing or future groundwater supply, we believe that our existing concessions satisfy our current water requirements in Mexico.

In Argentina, a state water company provides water to our Alcorta plant on a limited basis; however, we believe the authorized amount meets our requirements for this plant. In our Monte Grande plant in Argentina, we pump water from our own wells, in accordance with Law 25.688.

In Brazil, we buy water directly from municipal utility companies and we also capture water from underground sources, wells, or surface sources (i.e. rivers), pursuant to concessions granted by the Brazilian government for each plant. According to the Brazilian Constitution, water is considered an asset of common use and can only be exploited for the national interest by Brazilians or companies formed under Brazilian law. Concessionaires and users have the responsibility for any damage to the environment. The exploitation and use of water is regulated by the *Código de Mineração* (Code of Mining, Decree Law No. 227/67), the *Código de Águas Minerais* (Mineral Water Code, Decree Law No. 7841/45), the National Water Resources Policy (Law No. 9433 / 97) and by regulations issued thereunder. The companies that exploit water are supervised by the *Departamento Nacional de Produção Mineiral – DNPM* (National Department of Mineral Production) and the National Water Agency in connection with federal health agencies, as well as state and municipal authorities. In the Jundiaí and Belo Horizonte plants, we do not exploit mineral water. In the Mogi das Cruzes and Campo Grande plants, we have all the necessary permits for the exploitation of mineral water.

In Colombia, in addition to natural spring water, we obtain water directly from our own wells and from utility companies. We are required to have a specific concession to exploit water from natural sources. Water use in Colombia is regulated by law no. 9 of 1979 and decrees no. 1594 of 1984 and no. 2811 of 1974. The National Institute of National Resources supervises companies that exploit water.

In Nicaragua, the use of water is regulated by the *Ley General de Aguas Nacionales* (National Water Law), and we obtain water directly from our own wells. In Costa Rica, the use of water is regulated by the *Ley de Aguas* (Water Law). In both of these countries, we own and exploit our own water wells granted to us through governmental concessions. In Guatemala, no license or permits are required to exploit water from the private wells in our own plants. In Panama, we acquire water from a state water company, and the use of water is regulated by the *Reglamento de Uso de Aguas de Panamá* (Panama Use of Water Regulation). In Venezuela, we use private wells in addition to water provided by the municipalities, and we have taken the appropriate actions, including actions to comply with water regulations, to have water supply available from these sources, regulated by the *Ley de Aguas* (Water Law).

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

**Environmental Matters**

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

In addition, we are subject to the 1992 Water Law, as amended, enforced by the Mexican National Water Commission. The 1992 Water Law, as amended, provides that plants located in Mexico that use deep water wells to supply their water requirements must pay a fee to the local governments for the discharge of residual waste water to drainage. Pursuant to this law, certain local authorities test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by the Mexican National Water Commission; in case of non-compliance with the law, penalties may be imposed, including closures. All of our bottler plants located in Mexico have met these standards. In addition, our plants in Apizaco and San Cristóbal are certified with ISO 14001. **See "—Description of Property, Plant and Equipment."**

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

As part of our environmental protection and sustainability strategies, in December 2009, we, jointly with strategic partners, entered into a wind energy supply agreement with a Mexican subsidiary of the Spanish wind farm developer, GAMESA Energía, S.A., or GAMESA, to supply green energy to our bottling facility in Toluca, Mexico, owned by our subsidiary, Propimex, S. de R.L. de C.V., or Propimex, and to some of our suppliers of PET bottles. The wind farm, which is located in La Ventosa, Oaxaca, is expected to generate approximately 100 thousand megawatt hours annually. The energy supply services began in April 2010 and, during 2010, provided us with approximately 45 thousand megawatt hours. In 2010, GAMESA sold its interest in the Mexican subsidiary that owned the above mentioned wind farm to Iberdrola Renovables México, S.A. de C.V.

Additionally, several of our subsidiaries have entered into 20-year wind power supply agreements with Energía Alterna Istmeña, S. de R.L. de C.V. and Energía Eólica Mareña, S.A. de C.V. (together, the Mareña Renovables Wind Power Farm) to receive electrical energy for use at our production and distribution facilities throughout Mexico. The Mareña Renovables Wind Farm will be located in the state of Oaxaca and we expect that it will begin operations in 2013.

Our Central American operations are subject to several federal and state laws and regulations relating to the protection of the environment, which have been enacted in the last ten years, as awareness has increased in this region about the protection of the environment and the disposal of hazardous and toxic materials, as well as water usage. In some countries in Central America we are in the process of bringing our operations into compliance with new environmental laws on the timeline established by the relevant regulatory authorities. Our Costa Rica and Panama operations have participated in a joint effort along with the local division of The Coca-Cola Company, *Misión Planeta* (Mission Planet), for the collection and recycling of non-returnable plastic bottles.

Our Colombian operations are subject to several Colombian federal, state and municipal laws and regulations related to the protection of the environment and the disposal of treated water and toxic and hazardous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. For our plants in Colombia, we have obtained the *Certificación Ambiental Fase IV* (Phase IV Environmental Certificate) demonstrating our compliance at the highest level with relevant Colombian regulations. We are also engaged in nationwide campaigns for the collection and recycling of glass and plastic bottles as well as reforestation programs. In 2011, jointly with the FEMSA Foundation, we were awarded with the "Western Hemisphere Corporate Citizenship Award" for the social responsibility programs we carried out to respond to the extreme weather experienced in Colombia in 2010 and 2011, known locally as the "winter emergency." In addition, we also obtained the ISO 9001, ISO-22000 and PAS 220 for our plants located in

Medellin, Cali, Bogota, Barranquilla, Bucaramanga and La Calera, as recognition for the highest quality in our production processes.

Our Venezuelan operations are subject to several Venezuelan federal, state and municipal laws and regulations related to the protection of the environment. The most relevant of these laws are the *Ley Orgánica del Ambiente* (the Organic Environmental Law), the *Ley Sobre Sustancias, Materiales y Desechos Peligrosos* (the Substance, Material and Dangerous Waste Law), the *Ley Penal del Ambiente* (the Criminal Environmental Law) and the *Ley de Aguas* (the Water Law). Since the enactment of the Organic Environmental Law in 1995, our Venezuelan subsidiary has presented the proper authorities with plans to bring our production facilities and distribution centers into compliance with applicable laws, which mainly consist of building or expanding the capacity of water treatment plants in our bottling facilities. Even though we have had to adjust some of the originally proposed timelines due to construction delays, in 2009, we completed the construction and received all the required permits to operate a new water treatment plant in our bottling facility located in the city of Barcelona. At the end of 2011, we concluded the construction of a new water treatment plant in our bottling plant in the city of Valencia, which will start operations in February 2012. During 2011, we also commenced construction of a new water treatment plant in our Antimano bottling plant in Caracas, which construction is expected to conclude during the second quarter of 2012. We are also concluding the process of obtaining the necessary authorizations and licenses before we can begin the construction and expansion of our current water treatment plant in our bottling facility in Maracaibo. In December 2011 we obtained ISO 14000 certification for all of our plants in Venezuela.

In addition, in December 2010, the Venezuelan government approved the *Ley Integral de Gestión de la Basura* (Comprehensive Waste Management Law), which [will] regulate solid waste management and which may be applicable to manufacturers of products for mass consumption. The full scope of this law has not yet been established.

Our Brazilian operations are subject to several federal, state and municipal laws and regulations related to the protection of the environment. Among the most relevant laws and regulations are those dealing with the emission of toxic and hazardous gases and disposal of wastewater and solid waste, soil contamination by hazardous chemicals, which impose penalties, such as fines, facility closures or criminal charges depending upon the level of non-compliance.

Our production plant located in Jundiaí has been recognized by the Brazilian authorities for its compliance with environmental regulations and for having standards well above those imposed by the law. The plant has been certified for (i) ISO 9001 since 1993; (ii) ISO 14001 since March 1997; (iii) norm OHSAS 18001 since 2005; (iv) ISO 22000 since 2007; and (v) PAS: 96 since 2010. In Brazil it is also necessary to obtain concessions from the government to cast drainage. Our plants in Brazil have been granted this concession, except Mogi das Cruzes, where we have timely begun the process of obtaining one. In December, 2010 we increased the capacity of the water treatment plant in our Jundiaí facility.

In Brazil, a municipal regulation of the City of São Paulo, implemented pursuant to Law 13.316/2002, came into effect in May 2008. This regulation requires us to collect for recycling a specified annual percentage of plastic bottles made from PET sold in the City of São Paulo; such percentage increases each year. As of May 2009, we were required to collect for recycling 50% of the PET bottles sold in the City of São Paulo, as of May 2010, we were required to collect 75%, and as of May 2011, we were required to collect 90%. Currently, we are not able to collect the entire required volume of PET bottles we sell in the City of São Paulo for recycling. If we do not meet the requirements of this regulation, which we believe to be more onerous than those imposed by the countries with the highest recycling standards, we could be fined and be subject to other sanctions, such as the suspension of operations in any of our plants and/or distribution centers located in the City of São Paulo. In May 2008, we and other bottlers in the City of São Paulo, through the *Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-alcoólicas* (Brazilian Soft Drink and Non-Alcoholic Beverage Association, or ABIR), filed a motion requesting a court to overturn this regulation due to the impossibility of compliance. In addition, in November 2009, in response to a municipal authority request for us to demonstrate the destination of the PET bottles sold in São Paulo, we filed a motion presenting all of our recycling programs and requesting a more practical timeline to comply with the requirements of the law. In October 2010 the municipal authority of São Paulo levied a fine on our Brazilian operating subsidiary of 250,000 Brazilian reais (approximately Ps. 1,750,000 as of December 31, 2010) on the grounds that the report submitted by our Brazilian operating subsidiary did not comply with the 75% proper disposal requirement for the period from May 2008 to May 2010. We filed an appeal against this fine. We are currently awaiting resolution of both matters.

In August 2010, Law No. 12.305/2010 established the Brazilian National Solid Waste Policy. This policy is based on the principle of shared responsibility between the government, companies and the public, and provides for the post-consumption return of products to companies and requires public authorities to implement waste management programs. This law is regulated by Federal Decree No. 7.404/2010, and was published in December 2010. We are currently discussing with the relevant authorities the impact this law may have on Brazilian companies in complying with the regulation in effect in the City of São Paulo.

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

For all of our plant operations, we employ an environmental management system: *Sistema de Administración Ambiental* (Environmental Administration System, or EKOSYSTEM) that is contained within the *Sistema Integral de Calidad* (Integral Quality System or SICKOF).

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

We do not believe that our business activities pose a material risk to the environment, and we believe that we are in material compliance with all applicable environmental laws and regulations.

**Other regulations**

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

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

In July 2011, the Venezuelan government passed the *Ley de Costos y Precios Justos* (Fair Costs and Prices Law). The purpose of this law is to establish the regulations and administrative processes necessary to maintain the price stability of, and equal access to, goods and services. The law also creates the National Ministry of Costs and Prices, whose main role is to oversee price controls and set maximum retail prices on certain consumer goods and services. Of our products, only certain of our still water beverages were affected by these regulations, which mandated to lower our sale prices as of April 2012. Any failure to comply with this law would result in fines, temporary suspension or the closure of operations. While we are currently in compliance with this law, we cannot assure you that the Venezuelan government's future regulation of goods and services will not result in a forced reduction of prices in other of our products, which could have a negative effect on our results of operations.

In January 2012, the Costa Rican government approved a decree which regulates the sale of food and beverages in schools. The decree came into effect in 2012. Enforcement of this law will be gradual, from 2012 to 2014, depending on the specific characteristics of the food and beverage in question. According to the decree, the sale of specific sparkling beverages and still beverages that contain sugar, syrup or HFCS in any type of presentation in schools is prohibited. We will still be allowed to sell water and certain still beverages in schools. We cannot assure you that the Costa Rican government will not further restrict sales of other of our products in schools in the future; any such further restrictions could lead to an adverse impact on our results of operations.

## BOTTLER AGREEMENTS

### Coca-Cola Bottler Agreements

Bottler agreements are the standard agreements for each territory that The Coca-Cola Company enters into with bottlers outside the United States. Pursuant to our bottler agreements, we are authorized to manufacture, sell and distribute *Coca-Cola* trademark beverages within specific geographic areas, and we are required to purchase in some of our territories for all *Coca-Cola* trademark beverages concentrate from companies designated by The Coca-Cola Company and artificial sweeteners from companies authorized by The Coca-Cola Company.

These bottler agreements also provide that we will purchase our entire requirement of concentrate for *Coca-Cola* trademark beverages from The Coca-Cola Company and other authorized suppliers at prices, terms of payment and on other terms and conditions of supply as determined from time to time by The Coca-Cola Company at its sole discretion. Concentrate prices for sparkling beverages are determined as a percentage of the weighted average retail price in local currency, net of applicable taxes. Although the price multipliers used to calculate the cost of concentrate and the currency of payment, among other terms, are set by The Coca-Cola Company at its sole discretion, we set the price of products sold to customers at our discretion, subject to the applicability of price restraints. We have the exclusive right to distribute *Coca-Cola* trademark beverages for sale in our territories in authorized containers of the nature prescribed by the bottler agreements and currently used by our company. These containers include various configurations of cans and returnable and non-returnable bottles made of glass and plastic and fountain containers.

The bottler agreements include an acknowledgment by us that The Coca-Cola Company is the sole owner of the trademarks that identify the *Coca-Cola* trademark beverages and of the secret formulas with which The Coca-Cola Company's concentrates are made. Subject to our exclusive right to distribute *Coca-Cola* trademark beverages in our territories, The Coca-Cola Company reserves the right to import and export *Coca-Cola* trademark beverages to and from each of our territories. Our bottler agreements do not contain restrictions on The Coca-Cola Company's ability to set the price of concentrates charged to our subsidiaries and do not impose minimum marketing obligations on The Coca-Cola Company. The prices at which we purchase concentrates under the bottler agreements may vary materially from the prices we have historically paid. However, under our bylaws and the shareholders agreement among certain subsidiaries of The Coca-Cola Company and certain subsidiaries of FEMSA, an adverse action by The Coca-Cola Company under any of the bottler agreements may result in a suspension of certain voting rights of the directors appointed by The Coca-Cola Company. This provides us with limited protection against The Coca-Cola Company's ability to raise concentrate prices to the extent that such increase is deemed detrimental to us pursuant to such shareholder agreement and our bylaws. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."**

The Coca-Cola Company has the ability, at its sole discretion, to reformulate any of the *Coca-Cola* trademark beverages and to discontinue any of the *Coca-Cola* trademark beverages, subject to certain limitations, so long as all *Coca-Cola* trademark beverages are not discontinued. The Coca-Cola Company may also introduce new beverages in our territories in which case we have a right of first refusal with respect to the manufacturing, packaging, distribution and sale of such new beverages subject to the same obligations as then exist with respect to the *Coca-Cola* trademark beverages under the bottler agreements. The bottler agreements prohibit us from producing, bottling or handling beverages other than *Coca-Cola* trademark beverages, or other products or packages that would imitate, infringe upon, or cause confusion with the products, trade dress, containers or trademarks of The Coca-Cola Company, except under the authority of, or with the consent of, The Coca-Cola Company. The bottler agreements also prohibit us from acquiring or holding an interest in a party that engages in such restricted activities. The bottler agreements impose restrictions concerning the use of certain trademarks, authorized containers, packaging and labeling of The Coca-Cola Company so as to conform to policies prescribed by The Coca-Cola Company. In particular, we are obligated to:

- maintain plant and equipment, staff and distribution facilities capable of manufacturing, packaging and distributing the *Coca-Cola* trademark beverages in authorized containers in accordance with our bottler agreements and in sufficient quantities to satisfy fully the demand in our territories;

- undertake adequate quality control measures prescribed by The Coca-Cola Company;

- develop, stimulate and satisfy fully the demand for *Coca-Cola* trademark beverages using all approved means, which includes the investment in advertising and marketing plans;

- maintain a sound financial capacity as may be reasonably necessary to assure performance by us and our affiliates of our obligations to The Coca-Cola Company; and

- submit annually to The Coca-Cola Company our marketing, management, promotional and advertising plans for the ensuing year.

The Coca-Cola Company contributed a significant portion of our total marketing expenses in our territories during 2011 and has reiterated its intention to continue providing such support as part of our cooperation framework. Although we believe that The Coca-Cola Company will continue to provide funds for advertising and marketing, it is not obligated to do so. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement"** and **"Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Cooperation Framework with The Coca-Cola Company."**

We have separate bottler agreements with The Coca-Cola Company for each of the territories in which we operate, on substantially the same terms and conditions. These bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement.

As of December 31, 2011, we had seven bottler agreements in Mexico, with each one corresponding to a different territory: (i) the agreements for Mexico´s Valley territory expires in June 2013 and April 2016, (ii) the agreements for the Central territory expires in May 2015and July 2016, (iii) the agreement for the Northeast territory expires in September 2014, (iv) the agreement for the Bajio territory expires in May 2015, and (v) the agreement for the Southeast territory expires in June 2013. Our bottler agreements with The Coca-Cola Company will expire for our territories in other countries as follows: Argentina in September 2014; Brazil in April 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016; and Panama in November 2014.

The bottler agreements are subject to termination by The Coca-Cola Company in the event of default by us. The default provisions include limitations on the change in ownership or control of our company and the assignment or transfer of the bottler agreements and are designed to preclude any person not acceptable to The Coca-Cola Company from obtaining an assignment of a bottler agreement or from acquiring our company independently of other rights set forth in the shareholders' agreement. These provisions may prevent changes in our principal shareholders, including mergers or acquisitions involving sales or dispositions of our capital stock, which will involve an effective change of control, without the consent of The Coca-Cola Company. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."**

We have also entered into tradename license agreements with The Coca-Cola Company pursuant to which we are authorized to use certain trademark names of The Coca-Cola Company with our corporate name. These agreements have a ten-year term, but are terminated if we cease to manufacture, market, sell and distribute *Coca-Cola* trademark products pursuant to the bottler agreements or if the shareholders agreement is terminated. The Coca-Cola Company also has the right to terminate a license agreement if we use its trademark names in a manner not authorized by the bottler agreements.

## DESCRIPTION OF PROPERTY, PLANT AND EQUIPMENT

Over the past several years, we made significant capital investments to modernize our facilities and improve operating efficiency and productivity, including:

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

**See "Item 5. Operating and Financial Review and Prospects—Capital Expenditures."**

As of December 31, 2011, we owned 35 bottling plants company-wide. By country, we have fourteen bottling facilities in Mexico, five in Central America, six in Colombia, four in Venezuela, four in Brazil and two in Argentina.

As of December 31, 2011, we operated 249 distribution centers, approximately 51% of which were in our Mexican territories. We own more than 86% of these distribution centers and lease the remainder. See "—The Company—Product Sales and Distribution."

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

The table below summarizes by country principal use, installed capacity and percentage utilization of our production facilities:

**Bottling Facility Summary**
**As of December 31, 2011**

| Country | Installed Capacity (thousands of unit cases) | % Utilization[1] |
|---|---|---|
| Mexico | 1,897,760 | 70% |
| Guatemala | 34,544 | 80% |
| Nicaragua | 65,475 | 58% |
| Costa Rica | 84,238 | 54% |
| Panama | 40,754 | 64% |
| Colombia | 531,046 | 47% |
| Venezuela | 296,052 | 63% |
| Brazil | 650,356 | 68% |
| Argentina | 316,040 | 66% |

(1) Annualized rate.

The table below summarizes by country plant location and facility area of our production facilities:

**Bottling Facility by Location**
**As of December 31, 2011**

| Country | Plant | Facility Area (thousands of sq. meters) |
| --- | --- | --- |
| Mexico | San Cristóbal de las Casas, Chiapas | 45 |
| | Cuautitlán, Estado de México | 35 |
| | Los Reyes la Paz, Estado de México | 50 |
| | Toluca, Estado de México | 242 |
| | León, Guanajuato | 124 |
| | Morelia, Michoacán | 50 |
| | Ixtacomitán, Tabasco | 117 |
| | Apizaco, Tlaxcala | 80 |
| | Coatepec, Veracruz | 142 |
| | La Pureza Altamira, Tamaulipas | 300 |
| | Poza Rica, Veracruz | 42 |
| | Pacífico, Estado de México | 89 |
| | Cuernavaca, Morelos | 37 |
| | Toluca, Estado de México | 41 |
| Guatemala | Guatemala City | 47 |
| Nicaragua | Managua | 54 |
| Costa Rica | Calle Blancos (San José) | 52 |
| | Coronado (San José) | 14 |
| Panama | Panama City | 29 |
| Colombia | Barranquilla | 37 |
| | Bogotá | 105 |
| | Bucaramanga | 26 |
| | Cali | 76 |
| | Manantial | 67 |
| | Medellín | 47 |
| Venezuela | Antímano | 15 |
| | Barcelona | 141 |
| | Maracaibo | 68 |
| | Valencia | 100 |
| Brazil | Campo Grande | 36 |
| | Jundiaí | 191 |
| | Mogi das Cruzes | 119 |
| | Belo Horizonte | 73 |
| Argentina | Alcorta | 73 |
| | Monte Grande (Buenos Aires) | 32 |

## SIGNIFICANT SUBSIDIARIES

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2011:

| Name of Company | Jurisdiction of Incorporation | Percentage Owned | Description |
|---|---|---|---|
| Propimex, S. de R.L. de C.V.[1] .............................. | Mexico | 100.0% | Manufacturer of bottles and distributor of bottled beverages. |
| Controladora Interamericana de Bebidas, S.A. de C.V..... | Mexico | 100.0% | Holding company of manufacturers and distributors of beverages. |
| Spal Industria Brasileira de Bebidas, S.A. ............ | Brazil | 97.9% | Manufacturer of cans and related products for bottling beverages and distributor of bottled beverages. |
| Coca-Cola FEMSA de Venezuela S.A. (formerly, Panamco Venezuela, S.A. de C.V.)............................. | Venezuela | 100.0% | Manufacturer of bottles and related products for bottling beverages and distributor of bottled beverages. |

(1) On March 2, 2012, Propimex, S.A. de C.V. was converted into Propimex, S. de R.L. de C.V. (a limited liability company).

## Item 4A. Unresolved Staff Comments

None.

## Item 5. Operating and Financial Review and Prospects

### General

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements including the notes thereto. Our consolidated financial statements were prepared in accordance with Mexican Financial Reporting Standards, which differ in certain respects from U.S. GAAP. Notes 26 and 27 to our consolidated financial statements provide a description of the principal differences between Mexican Financial Reporting Standards and U.S. GAAP as they relate to us, together with reconciliation to U.S. GAAP of net income and equity.

***Average Price Per Unit Case***. We use average price per unit case to analyze average pricing trends in the different territories in which we operate. We calculate average price per unit case by dividing net sales by total sales volume. Sales of beer in Brazil, which are not included in our sales volumes, are excluded from this calculation.

***Effects of Changes in Economic Conditions***. Our results from operations are affected by changes in economic conditions in Mexico and in the other countries in which we operate. For the years ended December 31, 2011, 2010, and 2009, 35.7%, 37.5%, and 35.8%, respectively, of our total revenues were attributable to Mexico. In addition to Mexico, we also conduct operations in Central America, Colombia, Venezuela, Brazil and Argentina.

Our future results may be significantly affected by the general economic and financial conditions in the countries where we operate. Decreases in economic growth rates, periods of negative growth, devaluation of local currencies, increases in inflation or interest rates and political developments may result in lower demand for our products, lower real pricing or a shift to lower margin products or lower margin presentations.

The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, further deterioration in economic conditions in, or delays in recovery of, the U.S. economy may hinder any recovery in Mexico. In addition, an increase in interest rates in Mexico would increase our cost of Mexican peso-denominated variable interest rate indebtedness and would have an adverse effect on our financial condition. Depreciation of the Mexican peso relative to the U.S. dollar increases the cost to us of a portion of the raw materials we acquire, the price of which is paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars and thereby may negatively affect our financial condition.

### Recent Developments

As previously announced by the CNBV, commencing in 2012, all Mexican public companies must report their financial information in accordance with IFRS. Since 2006, the *Consejo Mexicano para la Investigación y Desarollo de Normas de Información Financiera* (Mexican Board of Research and Development of Financial Reporting Standards) has been modifying Mexican FRS in order to ensure their convergeance with IFRS. As required, starting on January 1, 2012, we are reporting our financial information in accordance with IFRS on a comparable basis.

On December 15, 2011, the Company entered into an agreement to merge the beverage division of Grupo Fomento Queretano into the Company. Grupo Fomento Queretano's beverage division operates mainly in the state of Queretaro, as well as in parts of the states of Mexico, Hidalgo and Guanajuato. The merger agreement was approved by both Coca-Cola FEMSA's and Grupo Fomento Queretano's boards of directors and is subject to the approval of the Mexican Antitrust Commission, and the shareholder's meetings of both companies. The transaction will involve the issuance of approximately 45.1 million of the Company's newly issued series L shares, and in addition the Company will assume Ps. 1,221 in net debt. This transaction is expected to be completed in second quarter of 2012.

In February 2012, our Board of Directors proposed an ordinary dividend of Ps. 2.77 per share outstanding on the payment date, which, at the time of filing, is ancipated to be May 30, 2012. This dividend was approved at the Annual Shareholders' meeting on March 20, 2012.

In February 2012, we entered into a 12-month exclusivity agreement with The Coca-Cola Company to evaluate the potential acquisition of a controlling ownership stake in the bottling operations owned by The Coca-Cola Company in the Philippines. We remain in the process of evaluating this potential acquisition.

On March 29, 2012, we issued a press release containing Non-Audit Financial Results for the year 2011 prepared in accordance with Mexican FRS and translated to IFRS for comparison purposes.

**Critical Accounting Estimates**

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

***Allowance for Doubtful Accounts.*** We determine our allowance for doubtful accounts based on an evaluation of the aging of our receivables portfolio. The amount of the allowance is based on an analysis of recoverability of each balance. Most of our sales, however, are realized on a cash basis and consequently do not give rise to doubtful accounts.

Returnable ***and Non-Returnable Bottles and Cases.*** The Company has two types of bottles; returnable and non-returnable.

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

Returnable bottles are recorded at acquisition cost for countries with inflationary economy then restated applying inflation factors as of the balance sheet date, according to NIF B-10. There are two types of returnable bottles:

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

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

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

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

***Property, Plant and Equipment and Other Assets.*** We depreciate property, plant and equipment and other assets over their useful lives. The estimated useful lives represent the period we expect the assets to remain in service and to generate revenues. Where an item of Property Plant and Equipment comprises major components having different useful lives, they are accounted and depreciated for as a separate item (major components) of

Property Plant and Equipment. We base our estimates on the experience of our technical personnel. Depreciation is computed using the straight-line method.

***Valuation of Intangible Assets.*** Our intangible assets mainly consist of rights to produce and distribute *Coca-Cola* trademark products in our territories, recognized at their fair value at the date of acquisition, in accordance with Mexican FRS. Intangible assets with indefinite life also includes good will. We separate intangible assets between those with a finite useful life and those with an indefinite useful life, in accordance with the period over which we expect to receive the benefits.

We value at fair value all assets and liabilities as of the date of acquisition and we conduct an analysis of the excess purchase price over the fair value of the net assets. This analysis results in the recognition of an intangible asset with indefinite life for the right to produce and distribute *Coca-Cola* trademark beverages, which are subject to annual impairment tests under Mexican Financial Reporting Standards. Intangible 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 exchange rate of each period. Beginning in 2008, for operations in an inflationary economic environment the intangible assets are restated by applying inflation factors of the country of origin and are translated into Mexican pesos at the year-end exchange rate. Through 2007, the intangible assets with indefinite lives were restated by applying inflation factors of the country of origin, regardless of the economic environment, and were translated at the year-end exchange rate.

Intangible assets with indefinite life are no longer subject to amortization, but instead are subject to an initial impairment review and subsequent impairment test.

Historically, our bottler agreements have been automatically renewed, and we have not experienced any termination of our bottler agreements. All of our bottler agreements provide for automatic renewal at no cost and without any change in their terms and conditions. We also do not believe that any law or regulation could oppose or otherwise adversely affect the renewal of such agreements.

***Impairment of Intangible Assets (with indefinite and definitive lives) and Long-Lived Assets***. We continually review the carrying value of our intangible assets and long-lived assets for accuracy. We review for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable based on our projections of anticipated future cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations. This test is performed annually or more frequently if deemed necessary.

Our evaluations indicate that no significant impairment of intangible assets or long-lived assets has been required. We can give no assurance that our expectations will not change as a result of new information or developments. Changes in economic or political conditions in all the countries in which we operate or in the industries in which we participate, however, may cause us to change our current assessment.

***Labor Liabilities.*** Our labor liabilities include obligations for pension and retirement plans, seniority premiums and severance payments from causes other than restructuring. Labor liabilities are determined using long-term assumptions.

We evaluate our assumptions at least annually. Those assumptions include the discount rate, expected long-term rate of return on plan assets, rates of increase in compensation costs and certain employee-related factors, such as turnover, retirement age and mortality rate. The assumptions include the economic risks existing in the countries in which our business operates.

In accordance with Mexican FRS, actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expenses and recorded obligations in such future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our labor obligations and our future expense.

The following table is a summary of the three key assumptions used in determining 2011 annual labor cost, along with the impact on pension cost of a 1% change in each assumed rate:

| Assumption | 2011 real rates for inflationary countries(1) | 2011 nominal rates for noninflationary countries(1) | Impact of 1% change (millions)(2) |
|---|---|---|---|
| Annual discount rate | 1.5% - 2.2% | 5.5% - 9.7% | + Ps. (208)<br>- Ps. 304 |
| Salary increase | 1.0% - 1.5% | 4.0% - 6.5% | + Ps. 217<br>- Ps. 144 |
| Estimated return on plan assets | 0.5%(3) | 7.0% - 9.7%(3) | + Ps. 30 |

(1) Calculated using a measurement date of December 2011.
(2) "+" indicates an increase of 1%; "-" indicates a decrease of 1%.
(3) Not applicable for Colombia and Guatemala.

The total period cost related to the pension plan is recorded as an operating expense.

***Deferred Income Taxes – Valuation Allowance.*** We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. If these estimates and related assumptions change in the future, we may be required to adjust valuation allowances.

***Tax, Legal and Labor Contingencies.*** We are subject to various claims and contingencies related to tax, labor and other legal proceedings. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies and accrues a liability and/or discloses the applicable relevant circumstances, as appropriate. We accrue a liability for the estimated loss in accordance with accounting rules.

**New Accounting Pronouncements**

Presented below is a summary of recently issued accounting pronouncements.

***Mexican Financial Reporting Standards***.

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

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

*b) NIF B-9 "Interim Financial Reporting"*

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

*c) NIF C-4 "Inventories"*

In 2011, the Company adopted NIF C-4 “Inventories”, which replaces Mexican accounting Bulletin C-4, Inventories. NIF C-4 does not allow the use of direct costs as the inventory valuation method nor does it allow the use of the LIFO cost method. NIF C-4 establishes that inventories must be valued at the lower of acquisition cost or net realizable value. This standard also establishes that advances to suppliers for the acquisition of merchandise must be classified as inventories provided the risks and benefits of the inventories are transferred to the Company. The *application* of this standard did not impact the actual inventory valuation of the Company. NIF C-4 was applied retrospectively causing a reclassification between “advances to suppliers” and “inventory balances” reported as of December 31, 2010 of Ps. 123 million. Similar reclassifications were made in the 2010 and 2009 consolidated statement of cash flows.

*d) NIF C-5 “Prepaid Expenses”*

In 2011, the Company adopted NIF C-5 “Prepaid Expenses”, which replaced Mexican accounting Bulletin C-5, Prepaid Expenses. This standard establishes that the main characteristic of prepaid expenses is that they do not result in the transfer to the entity of the benefits and risks inherent to the goods or services to be received. Consequently, prepaid expenses must be recognized in the balance sheet as either current or non-current assets, depending on the item´s classification in the statement of financial position. Moreover, NIF C-5 establishes that prepaid expenses made for goods or services whose inherent benefits and risks have already been transferred to the entity must be carried to the appropriate caption. The accounting changes resulting from the adoption of this standard were recognized retrospectively, causing a reclassification between “other current assets” (see Note 8) and “other assets” (see Note 12). This standard also resulted in reclassifications to prepaid expenses of Ps. 349 million which were reclassified from “inventories” of Ps. 123 million, and property, plant, and equipment of Ps. 226 million, as of December 31, 2010. Similar reclassifications were made in the 2010 and 2009 consolidated statement of cash flows.

*e) NIF C-6, “Property, Plant and Equipment”*

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

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

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

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

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

***U.S. GAAP***.

There are no significant new accounting standards effective in year 2011 impacting the Company.

***Implementation of IFRS***.

As described in Note 28 to our audited consolidated financial statements, we have adopted IFRS for the preparation of our financial information beginning in 2012. Pursuant to current SEC reporting requirements, foreign private issuers may provide in their SEC filings financial statements prepared in accordance with IFRS, without reconciliation to U.S. GAAP.

The consolidated financial statements that we issue for the year ending December 31, 2012 will be our first annual financial statements prepared in accordance with IFRS. Our IFRS transition date is January 1, 2011, and accordingly, the year ended December 31, 2011 will constitute part of the comparative period covered by IFRS 1, "First-Time Adoption of International Financial Reporting Standards" (which we refer to as IFRS 1). We have therefore applied all mandatory exemptions and certain optional exemptions from the retrospective application of IFRS provided by IFRS 1.

We have applied the following mandatory exemptions from retrospective application of IFRS, effective as of our IFRS transition date:

*Estimates*

The estimates conducted by the Company under IFRS 1 as of the Transition Date are consistent with the estimates previously recorded under Mexican FRS at that same date.

*Derecognition of financial assets and liabilities*

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

*Hedge accounting*

As of the transition date, the Company measured at fair value all derivative financial instruments and hedging relationships designated and documented effectively as accounting hedges as required by IAS 39, which is consistent with the treatment under Mexican FRS. As a result, there was no impact in the Company's consolidated financial statements due to the application of this exception.

*Non-controlling interest*

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

We have applied the following optional exemptions from retrospective application of IFRS:

*Business Combinations*

According to IFRS 1, an entity may elect not to apply IFRS 3 "*Business Combinations*" retrospectively to business combinations made prior of the transition date to IFRS. The Company adopted this exemption and did not amend its business combination accounting prior of the Transition Date. Accordingly, it did not re-measure the values determined at the previous acquisition dates, including the amount of distribution rights previously recorded.

*Deemed Cost*

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

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

*Cumulative Translation Effect*

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

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

*Borrowing Costs*

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

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

***Recording Effects of the Transition from Mexican FRS to IFRS***

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

*Inflation Effects*

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

*Employee Benefits*

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

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

*Bonus Program*

Under Mexican FRS the Company recognizes its bonus program plan offered to certain key executives as a defined contribution plan, according to Mexican FRS D-3, *Employee benefits*. Meanwhile IFRS considers this bonus program plan, shall be recorded under the principles set forth IFRS 2, *Sharebased Payments.*

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

*Deferred income Tax*

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

*Retained Earnings*

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

*Other differences in presentation and disclosures in the financial statements*

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

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

The effects of the foregoing are as follows as of the January 2011 Transition Date:

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

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

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

### Results from Operations

The following table sets forth our consolidated income statement for the years ended December 31, 2011, 2010 and 2009.

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

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 13.95 per US$ 1.00 solely for the convenience of the reader.

### Operations by Reportable Segment

The following table sets forth certain financial information for each of our reportable segments for the years ended December 31, 2011, 2010 and 2009. See Note 25 to our consolidated financial statements for additional information by reporting segment.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| | (2011, 2010 and 2009 in millions of Mexican pesos) | | |
| **Total revenues** | | | |
| Mexico and Central America[(1)] | Ps. 52,196 | Ps. 45,213 | Ps. 43,034 |
| South America (excluding Venezuela)[(2)] | 52,408 | 44,210 | 37,303 |
| Venezuela | 20,111 | 14,033 | 22,430 |
| **Gross profit** | | | |
| Mexico and Central America[(1)] | Ps. 24,775 | Ps. 22,035 | Ps. 21,286 |
| South America (excluding Venezuela)[(2)] | 22,498 | 19,415 | 16,579 |
| Venezuela | 9,954 | 6,472 | 9,950 |
| **Income from operations** | | | |
| Mexico and Central America[(1)] | Ps. 8,906 | Ps. 7,714 | Ps. 7,998 |
| South America (excluding Venezuela)[(2)] | 7,943 | 6,921 | 6,022 |
| Venezuela | 3,303 | 2,444 | 1,815 |

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama. Includes results of Grupo Tampico from October 2011 and Grupo CIMSA from December 2011.
(2) Includes Colombia, Brazil and Argentina.

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

### Consolidated Results from Operations

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

Total sales volume increased 6.0% to 2,648.6 million unit cases in 2011, as compared to 2010. The integration of Grupo Tampico and Grupo CIMSA into our Mexico operations in the fourth quarter of 2011 accounted for 48.9 million unit cases, of which sparkling beverages represented 63.0%, water 5.2%, bulk water 27.4% and still beverages 4.4%. Excluding this non-comparable effect, total sales volumes grew 4.0% to 2,599.7 million unit cases. The sparkling beverage category organically grew 4.0%, mainly driven by the Coca-Cola brand, which accounted for approximately 80% of incremental volumes. The still beverage category grew 10.8%, mainly driven by the performance of the Jugos del Valle line of business in Mexico, Brazil and Venezuela, and the *Hi-C* orangeade and the *Cepita* juice brand in Argentina, representing close to 15% of incremental volumes. Our bottled water portfolio, including bulk water, grew 1.9%, and contributed the balance.

Consolidated average price per unit case incremented 13.8%, reaching Ps. 45.38 in 2011, as compared to Ps. 39.89 in 2010. In local currency, average price per unit case increased in all of our territories mainly driven by price increases implemented during the year and higher volumes of sparkling beverages, which carry higher average price per unit case.

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

The components of cost of goods sold include raw materials (principally soft drink concentrate and sweeteners), packaging materials, depreciation costs attributable to our production facilities, wages and other employment costs associated with the labor force employed at our production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of our products in local currency net of applicable taxes. Packaging materials, mainly PET and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

***Operating Expenses.*** Consolidated operating expenses as a percentage of total revenues remained flat at 29.7% in 2011 as compared to 29.8% in 2010. Operating expenses in absolute terms increased 20.2%, mainly as a result of higher labor costs in Venezuela, higher labor and freight costs in Argentina and continued marketing investments designed to reinforce our presence in the marketplace, widen our cooler coverage and broaden our availability of returnable-base packaging.

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

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

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

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

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

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

## Consolidated Results from Operations by Reporting Segment

### Mexico and Central America

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

Total sales volume increased 9.5% to 1,510.8 million unit cases in 2011, as compared to 2010. Excluding the integration of Grupo Tampico and Grupo CIMSA in Mexico, volumes grew 6.0% to 1,461.8 million unit cases. Sparkling beverage volume organically increased 6.0%, driven by a 7% growth of the *Coca-Cola* brand and a 3% increase in flavored sparkling beverages, accounting for 75% of incremental volumes. Our bottled water portfolio, including bulk water, grew 5.6%, representing more than 15% of incremental volumes. Still beverages grew 8% mainly driven by the Jugos del Valle line of products, *Nestea* and *PowerAde*, contributing the balance.

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

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

**South America (excluding Venezuela)**

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

Total sales volume in our South America division, excluding Venezuela, increased 4.3% to 948.1 million unit cases in 2011 as compared to 2010, as a result of growth in every operation. Our sparkling beverage portfolio grew 4.7%, driven by the strong performance of the *Coca-Cola* brand in Argentina and Colombia, which grew 11% and 9%, respectively and a 6% growth in flavored sparkling beverages. The still beverage category grew 16.4%, mainly driven by the Jugos del Valle line of business and the *Matte Leao* brand in Brazil and the *Cepita* juice brand and *Hi-C* orangeade in Argentina. These increases compensated for a 4.8% decline in the bottled water portfolio, including bulk water.

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

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

**Venezuela**

***Total Revenues.*** Total revenues in Venezuela reached Ps. 20,111 million in 2011, an increase of 43.3% as compared to 2010, due to increased average price per unit case. Average price per unit case was Ps. 105.84 in 2011, representing an increase of 59.4% as compared to 2010. In local currency, higher average price per unit case accounted for incremental revenues during the year. On a currency neutral basis, our revenues in Venezuela increased by approximately 41%.

Total sales volume decreased 10.0% to 189.8 million unit cases in 2011, as compared to 211.0 million unit cases in 2010. The sales volume in the sparkling beverage category declined 9.6%, while the bottled water category, including bulk water, declined 24.8%. Sales volume in the still beverage category increased 14.9%, due to the introduction of the *del Valle Fresh* orangeade and *Kapo*, and partially compensated for the volume decline.

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

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

### Results from Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

### Consolidated Results from Operations

***Total Revenues.*** Consolidated total revenues increased 0.7% to Ps. 103,456 million in 2010, as compared to 2009, as a result of revenue growth in every operation except Venezuela, a country in which we experienced a revenue decline as a consequence of the devaluation of the Venezuelan bolivar. On a currency neutral basis and excluding the acquisition of Brisa in Colombia, our consolidated revenues for 2010 increased by approximately 15%.

Total sales volume increased 2.9% to 2,499.5 million unit cases in 2010, as compared to 2009. The sparkling beverage category, driven by a 4% growth of the *Coca-Cola* brand, grew 2.6% and contributed more than 70% of incremental volumes. The still beverage category, mainly driven by the performance of the *Jugos del Valle* line of business across our territories, grew 11.1% and accounted for approximately 20% of incremental volumes. The consolidation of the *Brisa* water brand in Colombia drove a 1.6% growth in our bottled water portfolio and represented the balance. Excluding the non-comparable effect of Brisa, total sales volume increased 1.6% to reach 2,479.6 million unit cases.

Consolidated average price per unit case declined 2.6%, reaching Ps. 39.89 in 2010, as compared to Ps. 40.95 in 2009 as a consequence of the devaluation of the Venezuelan bolivar. In local currency, average price per unit case increased in all of our territories mainly driven by price increases implemented during the year and higher volumes of sparkling beverages, which carry higher average price per unit case.

***Gross Profit.*** Gross profit increased 0.2% to Ps. 47,922 million in 2010, as compared to 2009, despite the devaluation of the Venezuelan bolivar. Cost of goods sold increased 1.1% as a result of increases in the cost of sweetener across our operations, which were partially offset by the appreciation of the Brazilian real, the Colombian peso and the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Gross margin reached 46.3% for 2010, a decrease of 20 basis points as compared to 2009.

***Operating Expenses.*** Consolidated operating expenses as a percentage of total revenues decreased to 29.8% in 2010 from 31.1% in 2009. Operating expenses in absolute terms decreased 3.6%, mainly as a result of the devaluation of the Venezuelan bolivar. In local currency, operating expenses increased mainly as a result of (i) continued marketing investment in our Mexico division to support our execution in the marketplace, widen our cooler coverage and broaden our returnable base availability, (ii) higher labor and freight costs in Argentina, and (iii) higher labor costs in Venezuela.

***Income from Operations.*** Our consolidated operating income increased 7.9% to Ps. 17,079 million in 2010, as compared to 2009. Our South America division, including Venezuela, accounted for 19.2% incremental operating income in 2010. These increases compensated for an operating income decline in our Mexico and Central America division. Our operating margin was 16.5% in 2010, an expansion of 110 basis points as compared to 2009.

***Other Expenses, Net.*** During 2010, we recorded Ps. 1,292 million in other expenses, net. These expenses were mainly composed of employee profit sharing and the loss on sale of certain fixed assets.

***Comprehensive Financing Result***. Comprehensive financing results in 2010 recorded an expense of Ps. 1,228 million, as compared to an expense of Ps. 1,373 million in 2009, mainly due to lower net interest cost.

***Income Taxes***. Income taxes increased to Ps. 4,260 million in 2010 from Ps. 4,043 million in 2009. During 2010, taxes as a percentage of income before taxes were 29.3% as compared to 31.1% in the previous year.

***Controlling Interest Net Income.*** Consolidated controlling interest net income increased 15.0% to Ps. 9,800 million in 2010 as compared to 2009, mainly as a result of higher operating income. Earnings per share (EPS) in 2010 was Ps. 5.31 (Ps. 53.07 per ADS) computed on the basis of 1,846.5 million shares outstanding as of December 31, 2010 (each ADS represents 10 local shares).

## Consolidated Results from Operations by Reporting Segment

### Mexico and Central America

***Total Revenues.*** Total revenues from our Mexico and Central America division increased 5.1% to Ps. 45,213 million in 2010, as compared to 2009. Higher average price per unit case accounted for more than 75% of the incremental revenues during this period. Average price per unit case increased to Ps. 32.69, a 3.9% increase, as compared to 2009, mainly reflecting selective price increases implemented during the year, higher volumes from the *Coca-Cola* brand, which carries higher average prices per unit case and, to a lesser extent, higher average prices per unit case from our growing still beverage portfolio.

Total sales volume increased 1.2% to 1,379.3 million unit cases in 2010, as compared to 1,363.0 million unit cases in 2009, resulting from (i) incremental volume of the *Coca-Cola* brand, that grew more than 2%, (ii) an increase of 5.6% in the still beverage category, mainly driven by the *Jugos del Valle* product line and *Nestea*, our ready-to-drink tea line and (iii) a 1.8% increase in the bottled water portfolio, excluding bulk water. These increases more than compensated for a 4.2% decline in the bulk water category.

***Operating Income.*** Gross profit increased 3.5% to Ps. 22,035 million in 2010, as compared to 2009. Cost of goods sold increased 6.6% mainly as a result of higher sweetener and PET costs, which were partially offset by the appreciation of the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Gross margin decreased from 49.5% in 2009 to 48.7% in 2010.

Operating income decreased 3.6% to Ps. 7,714 million in 2010, compared to Ps. 7,998 million in 2009. Operating expenses grew 7.8% mainly due to continued marketing investment to support our execution in the marketplace, widen our cooler coverage and broaden our returnable base availability. Our operating margin was 17.1% in 2010, a decrease of 150 basis points as compared to 2009.

### South America (excluding Venezuela)

***Total Revenues.*** Total revenues increased 18.5% to Ps. 44,210 million in 2010, as compared to 2009. Excluding beer sales, which accounted for Ps. 3,285 million during 2010, total revenues increased 18.6% to Ps. 40,925 million compared to 2009. Higher average price per unit case accounted for approximately 55% of incremental revenues, excluding beer. On a currency neutral basis and excluding the integration of Brisa in Colombia, revenues for 2010 increased by approximately 16%.

Sales volume, excluding beer, increased 8.2% to 909.2 million unit cases in 2010, as compared to 2009. The sparkling beverage category grew 6.2%, mainly driven by a 7% increase in the *Coca-Cola* brand, accounting for more than 65% of incremental volumes. The bottled water category grew 20.4%, mainly driven by to the integration of Brisa in Colombia and volumes of *Aquarius*, our flavored water brand in Argentina, contributing more than 25% of incremental volumes. The still beverage category grew 23.5%, mainly driven by the *Jugos del Valle* line of products in Brazil and Colombia, representing the balance.

***Operating Income.*** In 2010, gross profit increased 17.1% to Ps. 19,415 million, as compared to the previous year. Cost of goods sold increased 19.6%, mainly due to higher cost of sweetener in the division and higher cost of PET in Argentina, which was partially offset by the appreciation of the average exchange rate of the Brazilian real and the Colombian peso as applied to our U.S. dollar-denominated raw material cost. Gross margin reached 43.9% in 2010 as compared to 44.4% in 2009.

Operating income increased 14.9% to Ps. 6,921 million in 2010, as compared to Ps. 6,022 million in 2009. Operating expenses grew 18.3% mainly due to higher labor and freight costs in Argentina and the integration of the *Brisa* portfolio and the continued expansion of the Jugos del Valle line of business in Colombia. Operating margin was 15.7% in 2010, a decrease of 40 basis points as compared to 2009.

### Venezuela

***Total Revenues.*** Total revenues in Venezuela reached Ps. 14,033 million in 2010, a decline of 37.4% as compared to 2009, due principally to the devaluation of the Venezuelan bolivar. Average price per unit case was Ps. 66.41 in 2010, representing a decrease of 33.2% as compared to 2009. In local currency, higher average price per unit case accounted for incremental revenues during the year. On a currency neutral basis, our revenues in Venezuela increased by approximately 32%.

Total sales volume decreased 6.3% to 211.0 million unit cases in 2010, as compared to 225.2 million unit cases in 2009. The sales volume in the sparkling beverages and still beverages categories declined 6.8% and 2.7%, respectively, while sales volume in the bottled water category, including bulk water, remained flat.

***Operating Income.*** Gross profit was Ps. 6,472 million in 2010, a decrease of 35.0% compared to 2009, principally due to the devaluation of the Venezuelan bolivar. Cost of goods sold decreased 39.4%. In local currency, cost of goods sold increased mainly due to higher sweetener costs. Gross margin increased from 44.4% in 2009 to 46.1% in 2010, an expansion of 170 basis points.

Operating income increased 34.7% to Ps. 2,444 million in 2010 compared to the previous year. Operating expenses declined 50.5%, principally due to the devaluation of the Venezuelan bolivar. In local currency, higher labor costs were partially offset by lower marketing and administrative expenses. Operating margin was 17.4% in 2010, as compared to 8.1% in 2009.

### Liquidity and Capital Resources

***Liquidity***. The principal source of our liquidity is cash generated from operations. A significant majority of our sales are on a cash basis with the remainder on a short-term credit basis. We have traditionally been able to rely on cash generated from operations to fund our working capital requirements and our capital expenditures. Our working capital benefits from the fact that most of our sales are made on a cash basis, while we generally pay our suppliers on credit. In recent periods, we have mainly used cash generated from operations to fund acquisitions. We have also used a combination of borrowings from Mexican and international banks and issuances in the Mexican and international capital markets.

Our total indebtedness was Ps. 22,574 million as of December 31, 2011, as compared to Ps. 17,351 million as of December 31, 2010. Short-term debt and long-term debt were Ps. 5,540 million and Ps. 17,034 million, respectively, as of December 31, 2011, as compared to Ps. 1,840 million and Ps. 15,511 million, respectively, as of December 31, 2010. Total debt increased Ps. 5,223 million in 2011, compared to year end 2010. In April 2011, we issued two Mexican peso-denominated bonds, in 5-year floating rate and 10-year fixed rate tranches of Ps. 2,500 million each, priced at TIIE + 0.13% and 8.27%, respectively. Proceeds from such issuances were used for general corporate purposes, as well as to pay down existing debt. Net debt increased Ps. 5,096 million in 2011 mainly as a result of the assumption of debt resulting from recent mergers and dividend payments made during the year. As of December 31, 2011, cash and cash equivalents, were Ps. 12,331 million, as compared to Ps. 12,534 million as of December 31, 2010. As of December 31, 2011, our cash and cash equivalents were comprised of 47.0% U.S. dollars, 23.2% Mexican pesos, 13.4% Brazilian reais, 13.1% Venezuelan bolivars, 1.6% Colombian pesos and 1.0% Argentinean pesos. As of March 31, 2012, our cash and cash equivalents balance was Ps.10,993 million, including US$ 296 million denominated in U.S. dollars. These funds, in addition to the cash generated by our operations, are sufficient to meet our operating requirements.

In January 2010, the Venezuelan government announced a devaluation of its official exchange rate and the establishment of a multiple exchange rate system which was set at 2.60 bolivars to US$ 1.00 for high priority categories and 4.30 bolivars to US$ 1.00 for non-priority categories, and which recognized the existence of other exchange rates in which the government will intervene. In December 2010, the Venezuelan government announced its decision to implement a new singular fixed exchange rate of 4.30 bolivars to US$ 1.00, which resulted in a devaluation of the bolivar against the U.S. dollar. For further information, please see Note 3 to our consolidated financial statements. Future changes in the Venezuelan exchange control regime, and future currency devaluations or the imposition of exchange controls in any of the countries in which we have operations could have an adverse effect on our financial position and results from operations.

As part of our financing policy, we expect to continue to finance our liquidity needs with cash from operations. Nonetheless, as a result of regulations in certain countries in which we operate, it may not be beneficial or, as in the case of exchange controls in Venezuela, practicable for us to remit cash generated in local operations to fund cash requirements in other countries. Exchange controls like those in Venezuela may also increase the real price of remitting cash from operations to fund debt requirements in other countries. In the event that cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, we may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds from another country. In addition, our liquidity in Venezuela could be affected by changes in the rules applicable to exchange rates as well as other regulations, such as exchange controls. In the future we may finance our working capital and capital expenditure needs with short-term or other borrowings.

We continuously evaluate opportunities to pursue acquisitions or engage in strategic transactions. We would expect to finance any significant future transactions with a combination of any of cash from operations, long-term indebtedness and the issuance of shares of our Company.

***Sources and Uses of Cash***. The following table summarizes the sources and uses of cash for the years in the periods ended December 31, 2011, 2010 and 2009, from our consolidated statements of cash flows:

**Principal Sources and Uses of Cash**
**Years ended December 31, 2011, 2010 and 2009**
**(in millions of Mexican pesos)**

| | **2011** | **2010** | **2009** |
|---|---|---|---|
| Net cash flows from operating activities | Ps. 15,307 | Ps. 14,350 | Ps. 16,663 |
| Net cash flows used in investing activities[(1)] | (14,140) | (6,845) | (8,900) |
| Net cash flows used in financing activities[(2)] | (2,206) | (2,011) | (6,029) |
| Dividends declared and paid | (4,366) | (2,612) | (1,344) |

(1) Includes property, plant and equipment, investment in shares and other assets.
(2) Includes dividends declared and paid.

## Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2011:

| | Maturity (in millions of Mexican pesos) | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-3 years | 4 –5 years | In excess of 5 years | Total |
| **Debt**[1] | | | | | |
| Mexican pesos | Ps. 3,067 | Ps. 4,483 | Ps. 2,500 | Ps. 2,500 | Ps. 12,550 |
| U.S. dollars | 42 | 209 | — | 6,990 | 7,241 |
| Brazilian reais | 5 | 31 | 20 | 26 | 82 |
| Colombian pesos | 1,230 | — | — | — | 1,230 |
| Argentine pesos | 968 | 81 | — | — | 1,049 |
| **Capital Leases** | | | | | |
| Mexican peso | 18 | — | — | — | 18 |
| Brazilian reais | 4 | 13 | — | — | 17 |
| Colombian peso | 205 | 181 | — | — | 386 |
| **Interest Payments on Debt**[2] | | | | | |
| Mexican pesos | 619 | 1,540 | 448 | 675 | 3,282 |
| U.S. dollars | 324 | 970 | 647 | 687 | 2,628 |
| Brazilian reais | 4 | 9 | 4 | 1 | 18 |
| Colombian pesos | 61 | 6 | — | — | 67 |
| Argentine pesos | 86 | 2 | — | — | 88 |
| **Interest Rate Swaps**[3] | | | | | |
| Mexican pesos float to fixed | (12) | (270) | — | — | (282) |
| **Cross Currency Swaps**[4] | | | | | |
| Mexican pesos to U.S. dollars[5] | (130) | — | — | — | (130) |
| **Forwards** | | | | | |
| U.S. dollars to Brazilian reais[6] | 18 | — | — | — | 18 |
| U.S. dollars to Colombian pesos[7] | 15 | — | — | — | 15 |
| **Collar Options**[8] | | | | | |
| U.S. dollars to Mexican pesos | 300 | — | — | — | 300 |
| **Operating Leases** | | | | | |
| Mexican pesos | 339 | 636 | 165 | 690 | 1,830 |
| U.S. dollars | 33 | 58 | — | — | 91 |
| **Commodity Hedge Contracts** | | | | | |
| Sugar[9] | (14) | (5) | — | — | (19) |
| **Expected Benefits to be Paid for Pension and Retirement Plans and Seniority Premium** | 204 | 345 | 106 | 711 | 1,366 |
| **Other Long-Term Liabilities**[10] | — | — | — | — | — |

(1) Excludes the effect of cross currency swaps.

(2) Interest was calculated using debt as of and nominal interest rate amounts in effect on December 31, 2011. Liabilities denominated in U.S. dollars were translated to Mexican pesos at an exchange rate of Ps. 13.98 per U.S. dollar, the exchange rate reported by *Banco de México* quoted to us by dealers for the settlement of obligations in foreign currencies on December 30, 2011.

(3) Reflects the market value as of December 31, 2011 of interest rates swaps that are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2011.

(4) Includes cross currency swap contracts held as of December 31, 2011. U.S. dollar-denominated amounts were translated to Mexican pesos as described in footnote (2) above. The amounts shown in the table are fair value figures as of December 30, 2011.

(5) Cross-currency swaps used to convert Mexican peso-denominated floating rate debt into U.S. dollar-denominated floating rate debt with a notional amount of Ps. 357 million with maturity date as of March 2, 2012. These cross-currency swaps are not considered hedges for accounting purposes.

(6) Reflects the market value as of December 31, 2011 of forward derivative instruments used to hedge against fluctuation in the Brazilian reais. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2011.
(7) Reflects the market value as of December 31, 2011 of forward derivative instruments used to hedge against fluctuation in the Colombian peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2011.
(8) Reflects the market value as of December 31, 2011 of FX collar options used to hedge against fluctuation in the Mexican peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2011.
(9) Reflects the market value as of December 31, 2011 of futures contracts used to hedge sugar cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2011.
(10) Other long-term liabilities reflects liabilities whose maturity dates are undefined and depends on a series of circumstances out of our control, therefore these liabilities have been considered to have a maturity of more than five years.

### Debt Structure

The following chart sets forth the debt breakdown of our company and its subsidiaries by currency and interest rate type as of December 31, 2011:

| Currency | Percentage of Total Debt(1) | Average Nominal Rate(2) | Average Adjusted Rate(1)(3) |
|---|---|---|---|
| Mexican pesos | 53.8% | 5.5% | 6.8% |
| U.S. dollars | 34.0% | 4.5% | 3.7% |
| Colombian pesos | 7.1% | 5.1% | 5.1% |
| Brazilian reais | 0.4% | 4.5% | 4.5% |
| Argentine pesos | 4.6% | 15.7% | 15.7% |
| Venezuelan bolivar | 0.0% | 12.4% | 12.4% |

(1) Includes the effect of derivative contracts held by us as of December 31, 2011, including cross currency swaps from Mexican pesos to U.S. dollars and U.S. dollar.
(2) Annual weighted average interest rate per currency as of December 31, 2011.
(3) Annual weighted average interest rate per currency as of December 31, 2011 after giving effect to interest rate swaps and cross currency swaps. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk."**

### Summary of Significant Debt Instruments

The following is a brief summary of our significant long-term indebtedness with restrictive covenants outstanding as of April 20, 2012:

***Mexican Peso-Denominated Bonds (Certificados Bursátiles)***. On April 18, 2011, we issued *certificados bursátiles* guaranteed by Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V.), our main operating subsidiary in Mexico, in 5-year floating rate and 10-year fixed rate tranches of Ps. 2,500 million each, priced at TIIE + 0.13% and 8.27%, respectively. We have the following *certificados bursátiles* outstanding in the Mexican securities markets:

| Issue Date | Maturity | Amount | Rate |
|---|---|---|---|
| 2007(2) | March 2, 2012 | Ps. 3,000 million | 28-day TIIE(1) – 6 bps |
| 2011 | April 11, 2016 | Ps. 2,500 million | 28-day TIIE(1) + 13 bps |
| 2011 | April 5, 2021 | Ps. 2,500 million | 8.27% |

(1) TIIE means the *Tasa de Interés Interbancaria de Equilibrio* (the Equilibrium Interbank Interest Rate).
(2) Paid in full at maturity.

Our *certificados bursátiles* contain reporting obligations in which we will furnish to the bondholders consolidated audited annual financial reports and consolidated quarterly financial reports.

***4.625% Notes due 2020***. On February 5, 2010, we issued 4.625% Senior Notes due on February 15, 2020, in an aggregate principal amount of US$ 500 million. The indenture imposes certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and sale and leaseback transactions by us or our significant subsidiaries. Propimex guaranteed these notes on April 1, 2011.

***Bank Loans***. As of April 20, 2012, we had a number of loans with individual banks in Mexican pesos, U.S. dollars, Colombian pesos, Brazilian reais, and Argentine pesos, with an aggregate principal amount of Ps. 7,163 million. The bank loans denominated in Mexican pesos and U.S. dollars guaranteed by Propimex contain restrictions on liens, fundamental changes such as mergers and sale of certain assets. In addition, we are required to comply with a maximum net leverage ratio. Finally, some of our bank loans include a mandatory prepayment clause in which the lender has the option to require us to prepay such loans upon a change of control.

During April 2012, we executed a new loan agreement, for a total aggregate amount of US$75 million, with The Bank of Tokyo Mitsubishi UFJ LTD, New York Branch. This loan agreement is substantially on the same terms as our bank loans mentioned in the previous paragraph, is guaranteed by Propimex S. de R.L. de C.V. (formerly Propimex S.A. de C.V.), and has a 2 year term.

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

### Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

### Contingencies

We are party to a number of tax, legal and labor proceedings that have arisen throughout the normal course of our business and which are common in the industry in which we operate.

We recognize a liability for a loss contingency when it is probable that certain effects related to past events would materialize and can be reasonably quantified. The following table presents in millions of Mexican pesos the nature and amount of the recorded loss contingencies as of December 31, 2011:

| | **Long-Term** |
|---|---|
| Tax, primarily indirect taxes | Ps. 925 |
| Legal | 231 |
| Labor | 1,128 |
| **Total** | **Ps. 2,284** |

We do not recognize an asset as a contingency gain until the gain is realized. When the risk of loss is deemed to be other than remote, but less than probable, according to a legal assessment, its financial impact is disclosed as loss contingencies in the notes of the consolidated financial statements. The estimated amount of the damages sought in these proceedings is Ps. 6,781 million.

In recent years, our Mexican, Costa Rican and Brazilian subsidiaries have been required to submit certain information to relevant authorities regarding possible monopolistic practices. **See "Item 8. Financial Information—Legal Proceedings—Mexico—Antitrust Matters."** Such proceedings are a normal occurrence in the beverage industry and we do not expect any significant liability to arise from these contingencies.

As is customary in Brazil, we have been required by the tax authorities to collateralize tax contingencies currently in litigation amounting to Ps. 2,418 million and Ps. 2,292 million as of December 31, 2011 and 2010, respectively, by pledging fixed assets, or providing bank guarantees.

In connection with certain past business combinations, we have been indemnified by the sellers for certain contingencies. We have agreed to comparable indemnifications provisions in our agreements in connection with our recent mergers with Grupo Tampico and Grupo CIMSA. **See "Item 4. Information on the Company—The Company—Recent Mergers and Acquisitions."**

## Capital Expenditures

The following table sets forth our capital expenditures, including investment in property, plant and equipment, deferred charges and other investments for the periods indicated on a consolidated and by reporting segment basis:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| | (millions of Mexican pesos) | | |
| Property, plant and equipment, deferred charges and other investments | Ps. 7,826 | Ps. 7,478 | Ps. 6,282 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| | (millions of Mexican pesos) | | |
| Mexico and Central America[(1)] | Ps. 4,117 | Ps. 3,427 | Ps. 3,086 |
| South America (excluding Venezuela)[(2)] | 3,067 | 3,547 | 1,948 |
| Venezuela | 642 | 504 | 1,248 |
| Total | Ps. 7,826 | Ps. 7,478 | Ps. 6,282 |

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

In 2011, we focused our capital expenditures on investments in (1) increasing production capacity, (2) placing coolers with retailers, (3) returnable bottles and cases, (4) improving the efficiency of our distribution infrastructure and (5) information technology. Through these measures, we strive to improve our profit margins and overall profitability.

We have budgeted approximately US$700 million for our capital expenditures in 2012. Our capital expenditures in 2012 are primarily intended for:

- investments in production capacity (primarily for a plant in Brazil);
- market investments (primarily for the placement of coolers);
- returnable bottles and cases;
- improvements throughout our distribution network; and
- investments in information technology.

We estimate that of our projected capital expenditures for 2012, approximately 35.0% will be for our Mexican territories and the remaining will be for our non-Mexican territories. We believe that internally generated funds will be sufficient to meet our budgeted capital expenditure for 2012. Our capital expenditure plan for 2012 may change based on market and other conditions and our results from operations and financial resources.

In December 2011, we began the construction of a production plant in Minas Gerais, Brazil, which will require an investment of 250 million Brazilian reais (equivalent to approximately US$ 140 million). We expect that the construction will generate 800 direct and indirect jobs. It is anticipated that the new plant will be completed within 18 months as of December 31, 2011 and begin operations in June 2013. The plant will be located on a parcel of land 300,000 square meters in size, and it is expected that by 2015 the annual production capacity will be approximately 2.1 billion liters of sparkling beverages, representing an increase of approximately 47% as compared to the current installed capacity of our plant in Belo Horizonte, Brazil. The new plant will produce all of our existing brands and presentations of *Coca-Cola* products.

Historically, The Coca-Cola Company has contributed resources in addition to our own capital expenditures. We generally utilize these contributions for initiatives that promote volume growth of *Coca-Cola* trademark beverages, including the placement of coolers with retailers. Such payments may result in a reduction in our selling expenses line. Contributions by The Coca-Cola Company are made on a discretionary basis. Although we believe that The Coca-Cola Company will make additional contributions in the future to assist our capital expenditure program based on past practice and the benefits to The Coca-Cola Company as owner of the *Coca-Cola* brands from investments that support the strength of the brands in our territories, we can give no assurance that any such contributions will be made.

### Hedging Activities

We hold or issue derivative instruments to hedge our exposure to market risks related to changes in interest rates, foreign currency exchange rates and commodity price risk. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk."**

The following table provides a summary of the fair value of derivative instruments as of December 31, 2011. The fair market value is estimated using market prices that would apply to terminate the contracts at the end of the period and are confirmed by external sources, which are also our counterparties to the relevant contracts.

| | Fair Value At December 31, 2011 | | | | |
|---|---|---|---|---|---|
| | **Maturity less than 1 year** | **Maturity 1 – 3 years** | **Maturity 4 – 5 years** | **Maturity in excess of 5 years** | **Total fair value** |
| | **(millions of Mexican pesos)** | | | | |
| **Interest Rate Swaps** | | | | | |
| Mexican pesos float to fixed | (12) | (270) | — | — | (282) |
| **Cross Currency Swaps** | | | | | |
| Mexican pesos to U.S. Dollars | (130) | — | — | — | (130) |
| **Forwards** | | | | | |
| U.S. dollars to Brazilian reais | 18 | — | — | — | 18 |
| U.S. dollars to Colombian pesos | 15 | — | — | — | 15 |
| **Commodity Hedge Contracts** | | | | | |
| Sugar | (14) | (5) | — | — | (19) |

### U.S. GAAP Reconciliation

The principal differences between Mexican FRS and U.S. GAAP that affect our net income and equity are explained in Note 26 to our consolidated financial statements and primarily relate to the accounting and disclosure for:

- reversal of inflationary adjustments in countries considered inflationary under Mexican FRS, but not considered hyper-inflationary under U.S. GAAP;
- certain balance sheet and income statement classification differences;
- deferred promotional expenses;
- intangible assets;
- restatement of imported equipment;

- capitalization of comprehensive financing result;
- disclosures related to the fair value of financial instruments;
- accounting and disclosures for deferred income tax, employee profit sharing and uncertain tax positions;
- employee benefits;
- non-controlling interest acquisition; and
- presentation aspects of statement of cash flows.

A more detailed description of the differences between Mexican FRS and U.S. GAAP as they relate to us and a reconciliation of net income and shareholders' equity under Mexican FRS to net income and equity under U.S. GAAP are contained in Notes 26 and 27 to our consolidated financial statements.

Pursuant to Mexican FRS, our consolidated financial statements recognize effects of inflation in inflationary countries in accordance with Bulletin B-10. These effects were not reversed in the reconciliation to U.S. GAAP.

Under U.S. GAAP, we had consolidated net income of Ps. 11,015 million in 2011, Ps. 10,105 million in 2010, and Ps. 8,853 million in 2009. Consolidated net income as reconciled to U.S. GAAP was lower than consolidated net income as reported under Mexican FRS by Ps. 154 million in 2011, Ps. 194 million in 2010, and Ps. 117 million in 2009.

Equity under U.S. GAAP was Ps. 99,794 million, Ps. 73,468 million, and Ps. 66,037 million in 2011, 2010, and 2009, respectively. Compared to shareholders' equity under Mexican FRS, equity under U.S. GAAP was lower by Ps. 986 million, Ps. 413 million, and Ps. 2,435 million in 2011, 2010 and 2009, respectively.

## Item 6. Directors, Senior Management and Employees

### Directors

Management of our business is vested in our board of directors and in our chief executive officer. Our bylaws provide that our board of directors will consist of no more than 21 directors and their respective alternates, elected at the annual ordinary shareholders meeting for renewable terms of one year. Our board of directors currently consists of 19 directors and 18 alternate directors; 13 directors and their respective alternate directors are elected by holders of the Series A shares voting as a class; five directors and their respective alternate directors are elected by holders of the Series D shares voting as a class; and up to three directors and their respective alternate directors are elected by holders of the Series L shares voting as a class. Directors may only be elected by a majority of shareholders of the appropriate series, voting as a class.

In accordance with our bylaws and article 24 of the Mexican Securities Market Law, at least 25% of the members of our board of directors must be independent (as defined by the Mexican Securities Market Law). The board of directors may designate interim directors in the case that a director is absent or an elected director and corresponding alternate are unable to serve; the interim directors serve until the next shareholders meeting, at which the shareholders elect a replacement.

Our bylaws, as recently amended, provide that when Series B shares are issued, which has not yet occured, the shareholders of such Series B issued and paid shares that individually or as a group, hold at least 10% of the issued and paid shares of the capital stock of the Company shall have the right to designate and revoke one director and the corresponding alternate, pursuant to Article 50 of the Mexican Securities Law.

Our bylaws provide that the board of directors shall meet at least four times a year. Since our major shareholders amended their Shareholders Agreement in February 2010, our bylaws were modified accordingly establishing that actions by the board of directors must be approved by at least a majority of the directors present and voting, except under certain limited circumstances which must include the favorable vote of at least two directors elected by the Series D shares. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."** The chairman of the board of directors, the chairman of our audit or Corporate Practices Committee, or at least 25% of our directors may call a board of directors' meeting to include matters in the meeting agenda.

At our ordinary shareholders meeting held on March 20, 2012, the following directors were appointed: 11 directors and their respective alternates were appointed by holders of Series A shares, five directors and their respective alternates were appointed by holders of Series D shares and three directors and their respective alternates were appointed by holders of Series L shares. We currently have appointed 19 of the maximum 21 directors that can be appointed pursuant to our bylaws.

**See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions"** for information on relationships with certain directors and senior management.

As of the date of this annual report, our board of directors had the following members:

**Series A Directors**

| | | |
|---|---|---|
| José Antonio Fernández Carbajal<br>*Chairman* | Born: | February 1954 |
| | First elected: | 1993, as director; 2001 as chairman |
| | Term expires: | 2013 |
| | Principal occupation: | Chief Executive Officer, FEMSA. |
| | Other directorships: | Chairman of the board of FEMSA and Fundación FEMSA A.C., Vice-Chairman of the supervisory board of Heineken N.V. and member of the board of Heineken Holding N.V., Chairman of the board of Instituto Tecnológico y de Estudios Superiores de Monterrey, (ITESM), and member of the boards of Industrias Peñoles, S.A.B. de C.V. (Peñoles), Grupo Televisa, S.A.B. (Televisa) and Controladora Vuela Compañia de Aviación, S.A. de C.V. (Volaris), US Mexico Foundation and Co-chairman of the Advisory Board of Woodrow Wilson Center, Mexico Institute. |
| | Business experience: | Joined FEMSA's strategic planning department in 1988, held managerial positions at FEMSA Cerveza's commercial division and OXXO and was appointed Deputy Chief Executive Officer of FEMSA in 1991 and Chief Executive Officer. |
| | Education: | Holds a degree in Industrial Engineering and a Masters in Business Administration (MBA) from ITESM. |
| | Alternate director: | Alfredo Livas Cantú |
| Alfonso Garza Garza(1)<br>*Director* | Born: | July 1962 |
| | First elected: | 1996 |
| | Term expires: | 2013 |
| | Principal occupation: | Officer of Human Resources, Procurement and Information Technology, FEMSA. |
| | Other directorships: | Member of the boards of directors of FEMSA, ITESM and Nutec, S.A. de C.V., vice chairman of the communications council of COPARMEX and chairman of COPARMEX Nuevo León |
| | Business experience: | Has experience in several FEMSA business units and departments, including domestic sales, international sales, procurement and marketing, mainly at FEMSA Empaques, S.A. de C.V. or FEMSA Empaques and FEMSA Cerveza, and was Chief Executive Officer of FEMSA Empaques. |
| | Education: | Holds a degree in Industrial Engineering from ITESM and an MBA from Instituto Panamericano de Alta Dirección de Empresa (IPADE). |
| | Alternate director: | Bárbara Garza Lagüera Gonda(2) |

## Series A Directors

| | | |
|---|---|---|
| José Luis Cutrale<br>*Director* | Born: | September 1946 |
| | First elected: | 2004 |
| | Term expires: | 2013 |
| | Principal occupation: | Chief Executive Officer of Sucocítrico Cutrale. |
| | Other directorships: | Member of the boards of directors of Cutrale North America, Cutrale Citrus Juice, and Citrus Products. |
| | Business experience: | Founding partner of Sucocitrico Cutrale and member of ABECITRUS (the Brazilian Association of Citrus Exporters) and CDES (the Brazilian Government's Counsel for Economic and Social Development). |
| | Education: | Holds a degree in business management |
| | Alternate director : | José Luis Cutrale, Jr. |
| Carlos Salazar Lomelín<br>*Director* | Born: | April 1951 |
| | First elected: | 2001 |
| | Term expires: | 2013 |
| | Principal occupation: | Chief Executive Officer, Coca-Cola FEMSA. |
| | Other directorships: | Member of the boards of BBVA Bancomer, AFORE Bancomer, S.A. de C.V., Seguros Bancomer, S.A. de C.V., member of the advisory board of Premio Eugenio Garza Sada, Centro Internacional de Negocios Monterrey A.C. (CINTERMEX), Apex and the ITESM's EGADE Business School |
| | Business experience: | Has held managerial positions in several subsidiaries of FEMSA, including Grafo Regia, S.A. de C.V. and Plásticos Técnicos Mexicanos, S.A. de C.V., served as Chief Executive Officer of FEMSA Cerveza, where he also held various management positions in the Commercial Planning and Export divisions |
| | Education: | Holds a bachelor's degree in economics from ITESM, and performed postgraduate studies in business administration at ITESM and economic development in Italy |
| | Alternate director: | Max Michel González |
| Ricardo Guajardo Touché<br>*Director* | Born: | May 1948 |
| | First elected: | 1993 |
| | Term expires: | 2013 |
| | Principal occupation: | Chairman of the board of directors of Solfi, S.A. |

**Series A Directors**

| | | |
|---|---|---|
| | Other directorships: | Member of the board of directors of Grupo Valores Monterrey, El Puerto de Liverpool, S.A. de C.V., Alfa, BBVA Bancomer, Grupo Aeroportuario del Sureste, S.A. de C.V. (ASUR), Bimbo, Bancomer and Grupo Coppel. |
| | Business experience: | Has held senior executive positions in FEMSA, Grupo AXA, S.A. de C.V. (Grupo AXA) and Valores de Monterrey. |
| | Education: | Holds degrees in electrical engineering from ITESM and the University of Wisconsin and a master's degree from the University of California at Berkeley |
| | Alternate director: | Eduardo Padilla Silva |
| Mariana Garza Lagüera Gonda(2) | Born: | April 1970 |
| *Director* | First elected: | 2001 |
| | Term expires: | 2013 |
| | Business experience: | Private investor |
| | Other directorships: | Member of the boards of directors of FEMSA, Hospital San José Tec de Monterrey and Museo de Historia Mexicana |
| | Education: | Holds a business administration degree in Industrial Engineering from ITESM and a Master of International Management from the Thunderbird American Graduate School of International Management |
| | Alternate director: | Paulina Garza Lagüera Gonda(2) |
| Federico Reyes García | Born: | September 1945 |
| *Director* | First elected: | 1992 |
| | Term expires: | 2013 |
| | Principal occupation: | Corporate Development Officer of FEMSA. |
| | Business experience: | Served as Vice President of Finance and Corporate Development of FEMSA, Director of Corporate Staff at Grupo AXA, a major manufacturer of electrical equipment. Has extensive experience in the insurance sector. |
| | Other directorships: | Chairman of the board of directors of Valores de Monterrey and Director and alternate director of the board of directors or Optima Energia and Grupo Bimbo respectively. |
| | Education: | Holds a degree in Business and Finance from ITESM. |
| | Alternate director: | Alejandro Bailleres Gual |
| Javier Gerardo Astaburuaga Sanjines | Born: | July 1959 |
| *Director* | First elected: | 2006 |
| | Term expires: | 2013 |
| | Principal occupation: | Chief Financial and Strategic Development Officer of FEMSA. |

**Series A Directors**

| | | |
|---|---|---|
| | Business experience: | Joined FEMSA as a financial information analyst and later acquired experience in corporate development, administration and finance, held various senior positions at FEMSA Cerveza between 1993 and 2001, including Chief Financial Officer and for two years was FEMSA Cerveza's Director of Sales for the north region of Mexico until 2003 in which he was appointed FEMSA Cerveza's Co-Chief Executive Officer |
| | Other directorships: | Member of the board of Heineken N.V. and supervisory board of Heineken N.V. |
| | Education: | Holds a degree in CPA from ITESM. |
| | Alternate director: | Francisco José Calderón Rojas |
| Alfonso González Migoya<br>*Independent Director* | Born: | January 1945 |
| | First elected: | 2006 |
| | Term expires: | 2013 |
| | Principal occupation: | Chairman of the board of directors and Chief Executive Officer of Grupo Industrial Saltillo, S.A.B. de C.V. |
| | Other directorships: | Member of the board of directors of several Mexican companies, including the Bolsa Mexicana de Valores S.A.B. de C.V. among other financial institutes. |
| | Business experience: | Served from 1995 until 2005 as Corporate Director of Alfa. |
| | Education: | Holds a degree in Mechanical Engineering from ITESM and an MBA from the Stanford Graduate School of Business. |
| | Alternate director: | Ernesto Cruz Velázquez de León |
| Daniel Servitje Montull<br>*Independent Director* | Born: | April 1959 |
| | First elected: | 1998 |
| | Term expires: | 2013 |
| | Principal occupation: | Chief Executive Officer, Bimbo. |
| | Other directorships: | Member of the boards of directors of Banco Nacional de Mexico and Bimbo. |
| | Business experience: | Served as Vice President of Bimbo. |
| | Education: | Holds a degree in Business from the Universidad Iberoamericana in Mexico and an MBA from the Stanford Graduate School of Business. |
| | Alternate director: | Sergio Deschamps Ebergenyi |

**Series A Directors**

| | | |
|---|---|---|
| Enrique F. Senior Hernández<br>*Director* | Born: | August 1943 |
| | First elected: | 2004 |
| | Term expires: | 2013 |
| | Principal occupation: | Managing Director of Allen & Company. |
| | Other directorship: | Member of the boards of directors of Grupo Televisa S.A.B. de C.V., Cinemark USA, Inc. and Univision Comunication Inc. |
| | Business experience: | Among other clients, has provided financial advisory services to FEMSA and Coca-Cola FEMSA. |
| | Alternate director: | Herbert Allen III |

**Series D Directors**

| | | |
|---|---|---|
| Gary Fayard<br>*Director* | Born: | April 1952 |
| | First elected: | 2003 |
| | Term expires: | 2013 |
| | Principal occupation: | Chief Financial Officer, The Coca-Cola Company. |
| | Other directorships: | Member of the boards of directors of Coca-Cola Enterprises and Coca-Cola Sabco. |
| | Business experience: | Senior Vice President of The Coca-Cola Company and former Partner of Ernst & Young. |
| | Education: | Holds a degree from the University of Alabama and is licensed as a Certified Public Accountant (CPA). |
| | Alternate director: | Wendy Clark |
| Irial Finan<br>*Director* | Born: | June 1957 |
| | First elected: | 2004 |
| | Term expires: | 2013 |
| | Principal occupation: | President of Bottling Investments Group and Supply Chain, The Coca-Cola Company. |
| | Other directorships: | Member of the boards of directors of Coca-Cola Enterprises, Coca-Cola Amatil and Coca-Cola Hellenic. |
| | Business experience: | Chief Executive Officer of Coca-Cola Hellenic. Has experience in several Coca-Cola bottlers, mainly in Europe. |
| | Education: | Holds a Bachelor's degree from National University of Ireland. |
| | Alternate director: | Sunil Ghatnekar |
| Charles H. McTier<br>*Independent Director* | Born: | January 1939 |
| | First elected: | 1998 |
| | Term expires: | 2013 |
| | Principal occupation: | Trustee, Robert W. Woodruff Foundation. |
| | Other directorships: | Member of the Board of Directors of AGL Resources. |

**Series D Directors**

| | | |
|---|---|---|
| | Business experience: | Served as a President of Robert W. Woodruff Foundation during the period 1971-2007 and on the board of directors of nine U.S. Coca-Cola bottling companies in the 1970s and 1980s. |
| | Education: | Holds a degree in Business Administration from Emory University. |
| Marie Quintero-Johnson | Born: | October 1966 |
| *Director* | First elected: | 2012 |
| | Term expires: | 2013 |
| | Principal occupation: | Merger and Acquisitions Vice-president of The Coca-Cola Company. |
| | Other directorships: | Member of the Board of Directors of Zico. |
| | Education: | MBA from Darden School |
| | Alternate director: | Gloria Bowden |
| Eva María Garza Lagüera Gonda[3] | Born: | April 1958 |
| *Director* | First elected: | 2011 |
| | Term expires: | 2013 |
| | Principal occupation: | Private Investor |
| | Other directorships: | Member of the boards of directors of FEMSA, ITESM and Premio Eugenio Garza Sada |
| | Education: | Holds a degree in Communication Sciences from ITESM |
| | Alternate director: | Kathy Waller |

**Series L Directors**

**Series L Directors**

| | | |
|---|---|---|
| Robert Alan Fleishman Cahn<br>*Independent Director* | Born: | February 1962 |
| | First elected: | 2012 |
| | Term expires: | 2013 |
| | Principal occupation: | Chief Executive Officer of Grupo Tampico, S.A. de C.V. |
| | Other directorships: | Member of the Board of Directors of Grupo Tampico S.A. de C.V. and its subsidiaries. |
| | Education: | Holds a degree in Business Administration from The University of Texas and Post-bachelor degrees from Wharton School, University of Pennsylvania, Georgia Institute of Technology and Harvard University. |
| | Alternate: | Herman H. Fleishman Cahn |

| | | |
|---|---|---|
| José Manuel Canal Hernando<br>*Independent Director* | Born: | February 1940 |
| | First elected: | 2003 |
| | Term expires: | 2013 |
| | Principal occupation: | Private consultant. |
| | Other directorships: | Member of the board of directors of FEMSA, Banco Compartamos, S.A., Kuo, Consorcio Comex, Grupo Industrial Saltillo, S.A.B. de C.V., Grupo Acir, S.A. de C.V., Satelites Mexicanos, S.A. de C.V. and Grupo Diagnostico Proa, S.A. de C.V.. |
| | Business experience: | Former managing partner at Ruiz, Urquiza y Cía, S.C. from 1981 to 1999, acted as our statutory examiner from 1984 to 2002, presided in the Committee of Surveillance of the Mexican Institute of Finance Executives, has participated in several commissions at the Mexican Institute of Public Accountants and has extensive experience in financial auditing for holding companies, banks and financial brokers. |
| | Education: | Holds a Public Accounting degree from UNAM. |
| | Alternate director: | Helmut Paul |

**Series L Directors**

| | | |
|---|---|---|
| Francisco Zambrano Rodríguez<br>*Independent Director* | Born: | January 1953 |
| | First elected: | 2003 |
| | Term expires: | 2013 |
| | Principal occupation: | Chief Executive Officer of Desarrollo de Fondos Inmobiliarios S.A. de C.V. (DFI) and Vice-president of Desarrollo Inmobiliarios y de Valores, S.A. de C.V. (DIV). |
| | Other directorships: | Member of the boards of directors of several Mexican companies, including DFI, DIV and ITESM. |
| | Business experience: | Has extensive experience in investment banking and private investment services in México. |
| | Education: | Holds a degree in Chemical Engineering from ITESM and an MBA from The University of Texas at Austin. |
| | Alternate director: | Karl Frei Buechi |

(1) Cousin of Eva María Garza Lagüera Gonda, Paulina Garza Lagüera Gonda, Mariana Garza Lagüera Gonda and Bárbara Garza Lagüera Gonda.
(2) Sister of Eva Maria Garza Lagüera Gonda and sister-in-law of José Antonio Fernández Carbajal.
(3) Wife of José Antonio Fernández Carbajal.
(4) Alexis Rovzar passed away on January 7, 2012.

The secretary of the board of directors is Carlos Eduardo Aldrete Ancira and the alternate secretary of the board of directors is Carlos Luis Díaz Sáenz.

In June 2004, a group of Brazilian investors, among them José Luis Cutrale, a member of our board of directors, made a capital contribution equivalent to approximately US$50 million to our Brazilian operations in exchange for approximately 16.9% equity stake in these operations. We have entered into an agreement with Mr. Cutrale pursuant to which he was invited to serve as a director of our company. The agreement also provides for a right of first offer on transfers by the investors, tag-along and drag-along rights and certain rights upon a change of control of either party, with respect to our Brazilian operations.

Pursuant to a shareholders' agreement dated October 10, 2011, by and among Mr. Herman Harris Fleishman Cahn, Mr. Robert Alan Fleishman Cahn and FEMSA, Mr. Herman Harris Fleishman Cahn and Mr. Robert Alan Fleishman Cahn will be elected as director and alternate director, respectively, of the board of directors of the Company for six consecutive one-year terms, beginning in October 2011. In addition, on such date, Mr. Herman Harris Fleishman Cahn was appointed for an initial period of six months, after which Mr. Robert Alan Fleishman Cahn´s one year term began.

**Executive Officers**

The following are the principal executive officers of our company:

| | | |
|---|---|---|
| Carlos Salazar Lomelín(1)<br>*Chief Executive Officer* | Born: | April 1951 |
| | Joined: | 2000 |
| | Appointed to current position: | 2000 |
| Héctor Treviño Gutiérrez<br>*Chief Financial and Administrative Officer* | Born: | August 1956 |
| | Joined: | 1993 |
| | Appointed to current position: | 1993 |

| | | |
|---|---|---|
| | Other business experience: | At FEMSA, was in charge of International Financing, served as General Manager of Financial Planning, General Manager of Strategic Planning and General Manager of Business Development and headed the Corporate Development department. |
| | Education: | Holds a degree in Chemical and Administrative Engineering from ITESM and an MBA from the Wharton School of Business. |
| Rafael Alberto Suárez Olaguibel<br>*Corporate Project Officer* | Born: | April 1960 |
| | Joined: | 1986 |
| | Appointed to current position: | 2011 |
| | Business experience with us: | Has held several director positions with us, including Commercial Planning and Strategic Development Officer and Chief Operating Officer in Mexico and Argentina. Also served as Distribution and Marketing Director for the Valley of Mexico and Corporate Planning Manager of FEMSA's sparkling beverages division. |
| | Other business experience: | Has worked in the Administrative, Distribution and Marketing departments of The Coca-Cola Export Company. |
| | Education: | Holds a degree in Economics from ITESM and an MBA-ONE from ITESM and the partner schools from each continent. |
| Alejandro Duncan Ancira<br>*Technical Officer* | Born: | May 1957 |
| | Joined: | 1995 |
| | Appointed to current position: | 2002 |
| | Business experience with us: | Infrastructure Planning Director of Mexico. |
| | Other business experience: | Has undertaken responsibilities in different production, logistics, engineering, project planning and manufacturing departments of FEMSA and was a Plant Manager in central Mexico and Manufacturing Director in Buenos Aires. |
| | Education: | Holds a degree in Mechanical Engineering from ITESM and an MBA from the Universidad de Monterrey. |
| Eulalio Cerda Delgadillo<br>*Human Resources Officer* | Born: | July 1958 |
| | Joined: | 1996 |
| | Appointed to current position: | 2001 |

| | | |
|---|---|---|
| | Business experience with us: | Manager, positions in several departments, including maintenance, projects, packaging and human resources. |
| | Other business experience: | At FEMSA Cerveza, served as New Projects Executive and worked in several departments including marketing, maintenance, packaging, bottling, human resources, technical development and projects. |
| | Education: | Holds a degree in Mechanical Engineering from ITESM. |
| John Anthony Santa María Otazúa<br>*Chief Operating Officer – South America* | Born: | August 1957 |
| | Joined: | 1995 |
| | Appointed to current position: | 2011 |
| | Business experience with us: | Has served as Strategic Planning and Business Development Officer and Chief Operating Officer of Mexican operations. He has experience in several areas of the company, namely development of new products and mergers and acquisitions. |
| | Other business experience: | Has experience with different bottler companies in Mexico in areas such as Strategic Planning and General Management. |
| | Education: | Holds a degree in Business Administration and an MBA with a major in Finance from Southern Methodist University. |
| Ernesto Silva Almaguer<br>*Chief Operating Officer – Mexico / Central America* | Born: | March 1955 |
| | Joined: | 1996 |
| | Appointed to current position: | 2011 |
| | Business experience with us: | Has served as Chief Operating Officer in Buenos Aires and New Business Development and Information Technology Director. |
| | Other business experience: | Has worked as General Director of packaging subsidiaries of FEMSA (Fábricas de Monterrey, S.A. de C.V. and Quimiproductos), served as Vice President of International Sales at FEMSA Empaques and Manager of FEMSA's Corporate Planning and held several positions at Alfa. |
| | Education: | Holds a degree in Mechanical and Administrative Engineering from Universidad Autónoma de Nuevo León and an MBA from The University of Texas at Austin. |
| Juan Carlos Villacis Martínez<br>*Strategic Planning Officer* | Born: | April 1969 |
| | Joined: | 1999 |

| | | |
|---|---|---|
| | Appointed to current position: | 2011 |
| | Business experience with us: | Has served as Strategic Planning Officer, Manager of several projects, Divisional Director of Finance and Administration. |
| | Other business experience: | Associate at BAIN & Co. |
| | Education: | Holds a degree in Economics from the Pontificia Universidad Catolica del Ecuador and a MBA in the Instituto Centroamericano de Administración de Empresas. |
| Hermilo Zuart Ruíz<br>*Strategic Supply Officer* | Born: | March 1949 |
| | Joined: | 1992 |
| | Appointed to current position: | 2010 |
| | Business experience with us: | Has served as former New Business Officer, Chief Operating Officer in the Latincentro division, Chief Operating Officer in the Valley of Mexico and Chief Operating Officer in the Southeast Mexico. |
| | Other business experience: | Has undertaken several responsibilities in the manufacturing, commercialization, planning and administrative areas of FEMSA: Franquicias Officer, mainly in charge of Mundet products. |
| | Education: | Holds a degree in Public Accounting from UNAM and completed a graduate course in Business Management from IPADE. |
| Juan Ramón Felix Castañeda<br>*New Businesses and Commercial Development Officer* | Born: | December 1961 |
| | Joined: | 1997 |
| | Appointed to current position: | 2010 |
| | Business experience with us: | Former Commercial Director in Mexico, Commercial Development Director in Brazil, Commercial Director for the Bajío division in Mexico, Commercial Director for the southeast in Mexico, Logistics Director and Sales Manager of the Valley of Mexico. |
| | Other business experience: | Has worked as the Franchises Director at Cadbury Beverages, several positions in sales and operating areas in Cadbury Aguas Minerales and MFG Supervisor at Procter & Gamble. |
| | Education: | Holds a degree in Industrial and Systems Engineering from ITESM and an MBA from The Garvin School of International Management/ITESM. |

(1) See "—Directors."

### Compensation of Directors and Officers

For the year ended December 31, 2011, the aggregate compensation of all of our executive officers paid or accrued for services in all capacities was approximately Ps. 200.7 million. The aggregate compensation amount includes approximately Ps. 107.5 million of cash bonus awards and bonuses paid to certain of our executive officers pursuant to our incentive plan for stock purchases. **See "—EVA-Based Bonus Program."**

The aggregate compensation for directors during 2011 was Ps. 9.1 million. For each meeting attended we paid US$10,000 to each director with foreign residence and US$6,500 to all other directors with residence in Mexico in 2011.

We paid US$3,500 to each of the members of the Audit Committee per each meeting attended, and we paid US$2,500 per meeting attended to each of the members of the Finance and Planning and the Corporate Practices Committees.

Our senior management and executive officers participate in our benefit plans on the same basis as our other employees. Members of our board of directors do not participate in our benefit plans. As of December 31, 2011, amounts accrued for all employees under these pension and retirement plans were Ps. 2,160 million, of which Ps. 1,068 million is already funded.

### EVA-Based Bonus Program

Our bonus program for executives is based on meeting certain goals established annually by management, which include quantitative and qualitative objectives as well as the completion of special projects.

Approximately 50% of the bonus is based on quantitative objectives determined by the Economic Value Added, or EVA, methodology. The objectives established for executives are based on a combination of the EVA generated by us and FEMSA on a consolidated basis, calculated at approximately 70% and 30%, respectively. 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, we provide a defined contribution plan of share compensation to certain key executives, consisting of an annual cash bonus to purchase FEMSA and our Company's shares or options, based on the executive's responsibility in the organization, the EVA result achieved by the business unit that the executive works within, and the executive's individual performance. The acquired shares or options are deposited in a trust, and executives may access them one year after they are vested at 20% per year. Fifty percent of our annual executive bonus is permitted to be used to purchase FEMSA shares or options and the remaining 50% to purchase our shares or options. As of December 31, 2011, 2010 and 2009, no options have been granted to employees.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of the completion of goals established each year. The bonuses are recorded as income from operations and are paid in cash for the acquisition of shares of the trust the following year. During the years ended December 31, 2011, 2010 and 2009, the bonus expense recorded amounted to Ps. 599 million, Ps. 547 million, and Ps. 630 million, respectively.

### Share Ownership

As of April 20, 2012, several of our directors and alternate directors serve on the technical committee as trust participants under the Irrevocable Trust No. 463 established at INVEX, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, as Trustee, which is the owner of 74.86% of the voting stock of FEMSA, which in turn owns 50.0% of our outstanding capital stock. As a result of the technical committee's internal procedures, the technical committee as a whole is deemed to have beneficial ownership with sole voting power of all the shares deposited in the voting trust, and the trust participants, as technical committee members, are deemed to have beneficial ownership with shared voting power over those same deposited shares. These directors and alternate directors are Alfonso Garza Garza, Paulina Garza de Marroquín, Bárbara Garza Gonda de Braniff, Mariana Garza de

Treviño, Max Michel Suberville and Eva Garza de Fernández. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders."** None of our other directors, alternate directors or executive officers is the beneficial owner of more than 1% of any class of our capital stock.

**Board Practices**

Our bylaws state that the board of directors will meet at least four times a year to discuss our operating results and progress in achieving strategic objectives. It is the practice of our board of directors to meet following the end of each quarter. Our board of directors can also hold extraordinary meetings. **See "Item 10. Additional Information—Bylaws."**

Under our bylaws, directors serve one-year terms although they continue in office for up to 30 days until successors are appointed. If no successor is appointed during this period, the board of directors may appoint interim members, who will be ratified or substituted at the next shareholders meeting after such event occurs. None of the members of our board of directors or senior management of our subsidiaries has service agreements providing for benefits upon termination of employment.

Our board of directors is supported by committees, which are working groups that analyze issues and provide recommendations to the board of directors regarding their respective areas of focus. The executive officers interact periodically with the committees to address management issues. The following are the three committees of the board of directors:

*Finance and Planning Committee*. The Finance and Planning Committee works with management to set annual and long-term strategic and financial plans of the company and monitors adherence to these plans. It is responsible for setting our optimal capital structure and recommends the appropriate level of borrowing as well as the issuance of securities. Financial risk management is another responsibility of the Finance and Planning Committee. Irial Finan is the chairman of the Finance and Planning Committee. The additional members include: Javier Astaburuaga Sanjines, Federico Reyes García, Ricardo Guajardo Touché and Enrique Senior Hernández. The secretary of the Finance and Planning Committee is Héctor Treviño Gutiérrez, our Chief Financial Officer.

*Audit Committee*. The Audit Committee is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee; the internal auditing function also reports to the Audit Committee. The Audit Committee has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, the company compensates the independent auditor and any outside advisor hired by the Audit Committee and provides funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. José Manuel Canal Hernando is the chairman of the Audit Committee and the "audit committee financial expert". The additional members are: Alfonso González Migoya, Charles H. McTier, Francisco Zambrano Rodríguez and Ernesto Cruz Velázquez de León. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards. The secretary of the Audit Committee, who is not a member, is José González Ornelas, head of FEMSA's auditing and operating control area.

*Corporate Practices Committee*. The Corporate Practices Committee, which consists of exclusively of independent directors, is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders. The committee may call a shareholders meeting and include matters on the agenda for that meeting that it deems appropriate, approve policies on related party transactions, approve the compensation plan of the chief executive officer and relevant officers, and support our board of directors in the elaboration of related reports. The chairman of the Corporate Practices Committee is Daniel Servitje Montul. The additional members include: Helmut Paul and Karl Frei Buechi. The secretaries of the Corporate Practices Committee are Gary Fayard and Alfonso Garza Garza.

*Advisory Board*. Our board of directors approved the creation of a committee whose main role will be to advise and propose initiatives to our board of directors through the Chief Executive Officer. This committee will mainly be comprised of former shareholders of the various bottling businesses that merged with us, whose experience will constitute an important contribution to our operations.

**Employees**

As of December 31, 2011, our headcount was as follows: 44,661 in Mexico and Central America, 26,047 in South America and 8,271 in Venezuela. In the headcount we include the employees of third party distributors. The table below sets forth headcount by category for the periods indicated:

| | As of December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| Executives | 939 | 759 | 708 |
| Non-union | 22,380 | 17,258 | 17,633 |
| Union | 37,517 | 33,085 | 31,692 |
| Employees of third party distributors | 18,143 | 17,347 | 17,393 |
| **Total** | **78,979** | **68,449** | **67,426** |

As of December 31, 2011, approximately 48% of our employees, most of whom were employed in Mexico, were members of labor unions. We had 117 separate collective bargaining agreements with 67 labor unions. In general, we have a good relationship with the labor unions throughout our operations, except in Colombia, Venezuela and Guatemala, which are or have been the subjects of significant labor-related litigation. **See "Item 8. Financial Information—Consolidated Statements and Other Financial Information"** and **"Item 8. Financial Information—Legal Proceedings."** We believe we have appropriate reserves for these litigation proceedings and do not currently expect them to have a material adverse effect.

During January 2011, a production and distribution facility in Venezuela that produces approximately 50% of the total sales volume in Venezuela went on strike for 26 days, completely halting production. Productivity resumed when a final agreement was reached with the union that resulted in additional expenses for our Venezuelan subsidiary through increases in wages and expenditures associated with improving work conditions for employees.

**Insurance Policies**

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

## Item 7. Major Shareholders and Related Party Transactions

### MAJOR SHAREHOLDERS

Our outstanding capital stock consists of three classes of securities: Series A shares held by FEMSA, Series D shares held by The Coca-Cola Company and Series L shares held by the public. The following table sets forth our major shareholders as of April 20, 2012:

| Owner | Outstanding Capital Stock | Percentage Ownership of Outstanding Capital Stock | Percentage of Voting Rights |
|---|---|---|---|
| FEMSA (Series A shares)(1) | 992,078,519 | 50.0% | 63.0% |
| The Coca-Cola Company (Series D Shares)(2) | 583,545,678 | 29.4% | 37.0% |
| Public (Series L shares)(3) | 409,829,732 | 20.6% | — |
| Total | 1,985,453,929 | 100.0% | 100.0% |

(1) FEMSA owns these shares through its wholly-owned subsidiary Compañía Internacional de Bebidas, S.A. de C.V., which we refer to in this annual report as CIBSA. 74.86% of the voting stock of FEMSA is owned by the technical committee and trust participants under Irrevocable Trust No. 463 established at Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero, as Trustee. As a consequence of the voting trust's internal procedures, the following trust participants are deemed to have beneficial ownership with shared voting power of the shares deposited in the voting trust: BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/25078-7 (controlled by Max Michel Suberville), Paulina Garza Lagüera Gonda, Bárbara Garza Lagüera Gonda, Mariana Garza Lagüera Gonda, Eva Gonda Rivera, Eva Maria Garza Lagüera Gonda, Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Patricio Garza Garza, Juan Carlos Garza Garza, Eduardo Garza Garza, Eugenio Garza Garza, Alberto Bailleres Gonzalez, Maria Teresa Gual Aspe de Bailleres, Inversiones Bursátiles Industriales, S.A. de C.V. (controlled by the Garza Lagüera family), Corbal, S.A. de C.V. (controlled by Alberto Bailleres González), Magdalena Michel de David, Alepage, S.A. (controlled by Consuelo Garza Lagüera), BBVA Bancomer Servicios, S.A. as Trustee under Trust No. F/29013-0 (controlled by the estate of José Calderón Ayala, late father of José Calderón Rojas), Max Michel Suberville, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, Franca Servicios, S.A. de C.V. (controlled by the estate of José Calderón Ayala, late father of José Calderón Rojas), BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/29490-0 (controlled by Alberto, Susana and Cecilia Bailleres), BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/710004 (controlled by Magdalena Michel de David) and BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/700005 (controlled by Renee Michel de Guichard).

(2) The Coca-Cola Company indirectly owns these shares through its wholly-owned subsidiaries, The Inmex Corporation and Dulux CBAI 2003 B.V.

(3) Holders of Series L shares are only entitled to vote in limited circumstances. **See "Item 10. Additional Information—Bylaws."** Holders of ADSs are entitled, subject to certain exceptions, to instruct The Bank of New York, a depositary, as to the exercise of the limited voting rights pertaining to the Series L shares underlying their ADSs.

Our Series A shares, owned by FEMSA, are held in Mexico and our Series D shares, owned by The Coca-Cola Company, are held outside of Mexico.

As of December 31, 2011, there were 22,401,383 of our ADSs outstanding, each ADS representing ten Series L shares. 67.0% of our outstanding Series L shares were represented by ADSs. As of April 20, 2012, 53.6% of our outstanding Series L shares were represented by ADSs, held by 365 holders (including The Depositary Trust Company) with registered addresses outside of Mexico.

### The Shareholders Agreement

We operate pursuant to a shareholders agreement among two subsidiaries of FEMSA, The Coca-Cola Company and certain of its subsidiaries. This agreement, together with our bylaws, sets forth the basic rules under which we operate.

In February 2010, our main shareholders, FEMSA and The Coca-Cola Company, amended the shareholders agreement, and our bylaws were amended accordingly. The amendment mainly relates to changes in the voting requirements for decisions on: (1) ordinary operations within an annual business plan and (2) appointment of the chief executive officer and all officers reporting to him, all of which now may be taken by the board of directors by simple majority voting. Also, the amendment provides that payment of dividends, up to an amount equivalent to 20% of the preceding years' retained earnings, may be approved by a simple majority of the shareholders. Any decision on extraordinary matters, as they are defined by our bylaws and which include any new business acquisition, business combinations or any change in the existing line of business, among other things, shall require the approval of the majority of the members of the board of directors, with the vote of two of the members appointed by The Coca-Cola Company. Also, any decision related to such extraordinary matters or any payment of dividends above 20% of the preceding years' retained earnings shall require the approval of a majority of shareholders of each of Series A and Series D shares voting together as a single class.

Under our bylaws and shareholders agreement, our Series A shares and Series D shares are the only shares with full voting rights and, therefore, control actions by our shareholders.

The shareholders agreement also sets forth the principal shareholders' understanding as to the effect of adverse actions of The Coca-Cola Company under the bottler agreements. Our bylaws and shareholders agreement provide that a majority of the directors appointed by the holders of Series A shares, upon making a reasonable, good faith determination that any action of The Coca-Cola Company under any bottler agreement between The Coca-Cola Company and our company or any of our subsidiaries is materially adverse to our business interests and that The Coca-Cola Company has failed to cure such action within 60 days of notice, may declare a simple majority period at any time within 90 days after giving notice. During the simple majority period, as defined in our bylaws, certain decisions, namely the approval of material changes in our business plans, the introduction of a new, or termination of an existing, line of business, and related party transactions outside the ordinary course of business, to the extent the presence and approval of at least two Series D directors would otherwise be required, can be made by a simple majority vote of our entire board of directors, without requiring the presence or approval of any Series D director. A majority of the Series A directors may terminate a simple majority period but, once having done so, cannot declare another simple majority period for one year after the termination. If a simple majority period persists for one year or more, the provisions of the shareholders agreement for resolution of irreconcilable differences may be triggered, with the consequences outlined in the following paragraph.

In addition to the rights of first refusal provided for in our bylaws regarding proposed transfers of Series A shares or Series D shares, the shareholders agreement contemplates three circumstances under which one principal shareholder may purchase the interest of the other in our company: (1) a change in control in a principal shareholder, (2) the existence of irreconcilable differences between the principal shareholders or (3) the occurrence of certain specified events of default.

In the event that (1) one of the principal shareholders buys the other's interest in our company in any of the circumstances described above or (2) the ownership of our shares of capital stock other than the Series L shares of the subsidiaries of The Coca-Cola Company or FEMSA is reduced below 20% and upon the request of the shareholder whose interest is not so reduced, the shareholders agreement requires that our bylaws be amended to eliminate all share transfer restrictions and all special-majority voting and quorum requirements, after which the shareholders agreement would terminate.

The shareholders agreement also contains provisions relating to the principal shareholders understanding as to our growth. It states that it is The Coca-Cola Company's intention that we will be viewed as one of a small number of its "anchor" bottlers in Latin America. In particular, the parties agree that it is desirable that we expand by acquiring additional bottler territories in Mexico and other Latin American countries in the event any become available through horizontal growth. In addition, The Coca-Cola Company has agreed, subject to a number of conditions, that if it obtains ownership of a bottler territory that fits with our operations, it will give us the option to acquire such territory. The Coca-Cola Company has also agreed to support prudent and sound modifications to our capital structure to support horizontal growth. The Coca-Cola Company's agreement as to horizontal growth expires upon either the elimination of the super-majority voting requirements described above or The Coca-Cola Company's election to terminate the agreement as a result of a default.

**The Coca-Cola Memorandum**

In connection with the acquisition of Panamco in 2003, we established certain understandings primarily relating to operational and business issues with both The Coca-Cola Company and FEMSA that were memorialized in writing prior to completion of the acquisition. Although The Coca-Cola Memorandum has not been amended, we continue to develop our relationship with The Coca-Cola Company (i.e. through, *inter alia*, acquisitions and taking on new product categories), and we therefore believe that The Coca-Cola Memorandum should be interpreted in the context of subsequent events, some of which have been noted in the description below. The terms are as follows:

- The shareholder arrangements between directly wholly owned subsidiaries of FEMSA and The Coca-Cola Company will continue in place. On February 1, 2010, FEMSA amended its shareholders agreement with The Coca-Cola Company**. See "—The Shareholders Agreement."**

- FEMSA will continue to consolidate our financial results under Mexican FRS.

- The Coca-Cola Company and FEMSA will continue to discuss in good faith the possibility of implementing changes to our capital structure in the future.

- There will be no changes in concentrate pricing or marketing support by The Coca-Cola Company up to May 2004. After such time, The Coca-Cola Company has complete discretion to implement any changes with respect to these matters, but any decision in this regard will be discussed with us and will take our operating condition into consideration. In 2005, The Coca-Cola Company decided to gradually increase concentrate prices for sparkling beverages over a three-year period in Brazil beginning in 2006 and in Mexico beginning in 2007. These increases were fully implemented in Brazil 2008 and in Mexico in 2009.

- The Coca-Cola Company may require the establishment of a different long-term strategy for Brazil. If, after taking into account our performance in Brazil, The Coca-Cola Company does not consider us to be part of this long-term strategic solution for Brazil, then we will sell our Brazilian franchise to The Coca-Cola Company or its designee at fair market value. Fair market value would be determined by independent investment bankers retained by each party at their own expense pursuant to specified procedures. We currently believe the likelihood of this term applying is remote.

- FEMSA, The Coca-Cola Company and us will meet to discuss the optimal Latin American territorial configuration for the *Coca-Cola* bottler system. During these meetings, we will consider all possible combinations and any asset swap transactions that may arise from these discussions. In addition, we will entertain any potential combination as long as it is strategically sound and done at fair market value.

- We would like to keep open strategic alternatives that relate to the integration of sparkling beverages and beer. The Coca-Cola Company, FEMSA and us would explore these alternatives on a market-by-market basis at the appropriate time.

- The Coca-Cola Company agreed to sell to a subsidiary of FEMSA sufficient shares to permit FEMSA to beneficially own 51% of our outstanding capital stock (assuming that this subsidiary of FEMSA does not sell any shares and that there are no issuances of our stock other than as contemplated by the acquisition). As a result of this understanding, in November 2006, FEMSA acquired, through a subsidiary, 148,000,000 of our Series D shares from certain subsidiaries of The Coca-Cola Company, representing 9.4% of the total outstanding voting shares and 8.02% of the total outstanding equity of Coca-Cola FEMSA, at a price of US$ 2.888 per share for an aggregate amount of US$ 427.4 million. Pursuant to our bylaws, the acquired shares were converted from Series D shares to Series A shares.

- We may be entering some markets where significant infrastructure investment may be required. The Coca-Cola Company and FEMSA will conduct a joint study that will outline strategies for these markets, as well as the investment levels required to execute these strategies. Subsequently, it is intended that FEMSA and The Coca-Cola Company will reach agreement on the level of funding to be provided by each of the partners. The parties intend that this allocation of funding responsibilities would not be overly burdensome for either partner.

- We entered into a stand-by credit facility in December 2003 with The Coca-Cola Export Corporation, which expired in December 2006 and was never used.

**Cooperation Framework with The Coca-Cola Company**

In September 2006, The Coca-Cola Company and we reached at a comprehensive cooperation framework for a new stage of collaboration going forward. This new framework includes the main aspects of our relationship with The Coca-Cola Company and defines the terms for the new collaborative business model. The framework is structured around three main objectives, which have been implemented as outlined below:

- **Sustainable growth of sparkling beverages, still beverages and waters:** Together with The Coca-Cola Company, we have defined a platform to jointly pursue incremental growth in the sparkling beverages category, as well as accelerated development of still beverages and waters across Latin America. To this end, The Coca-Cola Company will provide a relevant portion of the funds derived from the concentrate increase for marketing support of the entire portfolio. In addition, the framework contemplates a new, all-encompassing business model for the development, organically and through acquisitions, of still beverages and waters that further aligns our and The Coca-Cola Company's objectives and should contribute to incremental long-term value creation for both companies. With this objective in mind, we have jointly acquired the Brisa bottled water business in Colombia, we have formalized a joint venture for the *Jugos del Valle* products in Mexico and Brazil and we have formalized certain agreements to develop the *Crystal* water business and the Matte Leao business in Brazil with other bottlers, and the business of Grupo Estrella Azul, a leading dairy and juice-based beverage company in Panama. In addition, during 2011 we formalized a joint venture to develop certain coffee products in our territories.

- **Our horizontal growth:** The framework includes The Coca-Cola Company's endorsement of our aspiration to continue being a leading participant in the consolidation of the Coca-Cola system in Latin America, as well as our exploration of potential opportunities in other markets where our operating model and strong execution capabilities could be leveraged. For example, in 2008 we entered into a transaction with The Coca-Cola Company to acquire from it, REMIL, which was The Coca-Cola Company's wholly owned bottling franchise in the majority of the State of Minas Gerais of Brazil.

- **Long-term vision in relationship economics:** We and The Coca-Cola Company understand each other's business objectives and growth plans, and the new framework provides long-term perspective on the economics of our relationship. This will allow us and The Coca-Cola Company to focus on continuing to drive the business forward and generating profitable growth.

## RELATED PARTY TRANSACTIONS

We believe that our transactions with related party transactions are on terms comparable to those that would result from arm's length negotiations with unaffiliated parties and are reviewed and approved by our Corporate Practices Committee.

### FEMSA

We regularly engage in transactions with FEMSA and its subsidiaries.

We sell our products to certain FEMSA subsidiaries, substantially all of which consists of our sales to a chain of convenience stores under the name Oxxo. The aggregate amount of these sales to Oxxo was Ps. 2,088 million, Ps. 1,623 million, and Ps. 1,263 million in 2011, 2010 and 2009, respectively.

We also purchase products from FEMSA and its subsidiaries. The aggregate amount of these purchases was Ps. 3,665 million, Ps. 5,412 million, and Ps. 5,941 million in 2011, 2010 and 2009, respectively. These amounts principally relate to raw materials, beer, assets and services provided to us by FEMSA. In January 2008, we renewed our service agreement with another subsidiary of FEMSA, which provides for the continued provision of administrative services relating to insurance, legal and tax advice, relations with governmental authorities and certain administrative and internal auditing services that it has been providing since June 1993. In November 2000, we entered into a service agreement with a subsidiary of FEMSA for the transportation of finished products from our production facilities to our distribution centers within Mexico. In November 2001, we entered into two franchise bottler agreements with Promotora de Marcas Nacionales, S.A. de C.V., an indirect subsidiary of FEMSA, under which we became the sole franchisee for the production, bottling, distribution and sale of *Mundet* brands in the valley of Mexico and in most of our operations in Southeast Mexico. In September 2010, FEMSA sold the *Mundet* brand in Mexico to The Coca-Cola Company through The Coca-Cola Company's acquisition of 100% of the equity interest of Promotora de Marcas Nacionales, S.A. de C.V. We remain the licensee of the *Mundet* trademark under the license agreements with Promotora de Marcas Nacionales, S.A. de C.V. Both agreements are renewable for ten-year terms, subject to non-renewal by either party with notice to the other party. We recently expanded the territories covered by these agreements to certain of our operations outside of Mexico. We primarily purchase our glass bottles in Mexico from Glass & Silice S.A. de C.V. (formerly VICHISA), a wholly-owned subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V. (formerly FEMSA Cerveza), currently a wholly-owned subsidiary of the Heineken Group. The aggregate amount of our purchases from Glass & Silice S.A. de C.V. (formerly VICHISA) amounted to Ps. 320.2 million, Ps. 304.5 million and Ps. 335.1 million in 2011, 2010 and 2009, respectively. Finally, we continue to distribute and sell the Kaiser beer portfolio in our Brazilian territories through the 20-year term, consistent with arrangements in place with Cervejarias Kaiser since 2006, prior the acquisition of Cervejarias Kaiser by Cuauhtémoc Moctezuma Holding, S.A. de C.V., formerly known as FEMSA Cerveza. On April 30, 2010, the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group closed. **See "Item 3. Key Information—Risk Factors—Risks Related to Our Company—*We have significant transactions with affiliates, particularly The Coca-Cola Company and FEMSA, which may create the potential for conflicts of interest and could result in less favorable terms to us.*"**

FEMSA is also a party to the understandings we have with The Coca-Cola Company relating to specified operational and business issues. A summary of these understandings is set forth under **"—Major Shareholders—The Coca-Cola Memorandum."**

### The Coca-Cola Company

We regularly engage in transactions with The Coca-Cola Company and its affiliates. We purchase all of our concentrate requirements for *Coca-Cola* trademark beverages from The Coca-Cola Company. Total expenses charged to us by The Coca-Cola Company for concentrates were approximately Ps. 21,183 million, Ps. 19,371 million, and Ps. 16,863 million in 2011, 2010 and 2009, respectively. Our company and The Coca-Cola Company pay and reimburse each other for marketing expenditures. The Coca-Cola Company also contributes to our coolers, and bottles and cases investment program. We received contributions to our marketing expenses and coolers, and bottles and cases investment program of Ps. 2,561 million, Ps. 2,386 million, and Ps. 1,945 million in 2011, 2010 and 2009, respectively.

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are licensed back to us by The Coca-Cola Company pursuant to our bottler agreements. The December 2007 transaction was valued at US$ 48 million and the May 2008 transaction was valued at US$ 16 million. We believe that both of these transactions were conducted on an arm's length basis. Revenues from the sale of proprietary brands realized in prior years in which we have a significant continuing involvement are deferred and amortized against the related costs of future sales over the estimated sales period. The balance to be amortized amounted to Ps. 302 million, Ps. 547 million, and Ps. 616 million as of December 31, 2011, 2010 and 2009, respectively. The short-term portions to be amortized amounted to Ps. 197 million, Ps. 276 million, and Ps. 203 million at December 31, 2011, 2010 and 2009, respectively. The short-term portions are included in other current liabilities. The long-term positions are included in other liabilities.

In Argentina, we purchase pre-formed plastic ingots, as well as returnable plastic bottles from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina S.A., a *Coca-Cola* bottler with operations in Argentina, Chile and Brazil in which The Coca-Cola Company has a substantial interest.

In Argentina, we mainly use HFCS that we purchase from several different local suppliers as a sweetener in our products instead of sugar. We purchase glass bottles, plastic cases and other raw materials from several domestic sources. We purchase pre-formed plastic ingots, as well as returnable plastic bottles, at competitive prices from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina S.A., a bottler of The Coca-Cola Company with operations in Argentina, Chile and Brazil, and other local suppliers. We also acquire pre-formed plastic ingots from ALPLA Avellaneda S.A. and other suppliers. We produce our own can presentations, aseptic packaging and hot filled products for distribution of our products to our customers in Buenos Aires.

In November 2007, Administración, a Mexican company owned directly or indirectly by us and The Coca-Cola Company, acquired 100% of the shares of capital stock of Jugos del Valle. The business of Jugos del Valle in the United States was acquired and sold by The Coca-Cola Company. Subsequently, we and The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and the Brazilian operations, respectively, of Jugos del Valle, through transactions completed during 2008. Taking into account the participations held by Grupo Tampico and Grupo CIMSA, we currently hold an interest of 24.0% in the Mexican joint business and approximately 19.7% in the Brazilian joint businesses. Jugos del Valle sells fruit juice-based beverages and fruit derivatives.

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

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

In August 2010, we acquired from The Coca-Cola Company along with other Brazilian *Coca-Cola* bottlers the business operations of the *Matte Leao* tea brand. As of April 20, 2012, we have a 19.4% indirect interest in the Matte Leao business in Brazil.

In March 2011, we acquired with The Coca-Cola Company, through Compañía Panameña de Bebidas S.A.P.I. de C.V., Estrella Azul, a Panamanian conglomerate that participates in the dairy and juice-based beverage categories in Panama. We will continue to develop this business with The Coca-Cola Company.

In March 2011, with The Coca-Cola Company, through Compañía de Bebidas Panameñas S.A.P.I. de C.V. we entered into several credit agreements (the "Credit Facilities"), pursuant to which we lent an aggregate amount of US$112,257,620 to Estrella Azul. Subject to certain events which could lead to an acceleration of payments, the principal balance of the Credit Facilities is payable in one installment on March 24, 2021.

In February 2012, we entered into a 12-month exclusivity agreement with The Coca-Cola Company to evaluate the potential acquisition of a controlling ownership stake in the bottling operations owned by The Coca-Cola Company in the Philippines. We remain in the process of evaluating this potential acquisition.

**Associated Companies**

We also regularly engage in transactions with companies in which we own an equity interest that are not affiliated with The Coca-Cola Company, as described under "—The Coca-Cola Company." We believe these transactions are on terms comparable to those that would result from arm's length negotiations with unaffiliated third parties.

In Mexico, we purchase sparkling beverages in cans from Industria Envasadora de Querétaro, S.A. de C.V., or IEQSA, in which we hold an equity interest of 19.2%. We paid IEQSA Ps. 262 million, Ps. 196 million, and Ps. 208 million in 2011, 2010 and 2009, respectively. IEQSA purchases aluminum cans from FEMSA. We also purchase sugar from Beta San Miguel and Piasa, both sugar-cane producers in which, as of April 20, 2012, we hold a 2.5% and 13.2% equity interest, respectively. We paid Ps. 1,398 million, Ps. 1,307 million, and Ps. 713 million to Beta San Miguel in 2011, 2010 and 2009, respectively.

In Mexico, we participate with certain *Coca-Cola* bottlers in PROMESA, in which, as of April 20, 2012, we hold a 25.0% interest. Through PROMESA, we purchase our cans for our Mexican operations, which are manufactured by Fábricas de Monterrey, S.A. de C.V., or FAMOSA, a wholly-owned subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V. (formerly FEMSA Cerveza), currently a wholly-owned subsidiary of the Heineken Group. We purchased from PROMESA approximately Ps. 701 million, Ps. 684 million, and Ps. 783 million in 2011, 2010, and 2009, respectively.

**Other Related Party Transactions**

José Antonio Fernández Carbajal, a director of Coca-Cola FEMSA, is also the chairman of the board of directors of *Instituto Tecnológico de Estudios Superiores de Monterrey*, or ITESM, a Mexican private university that routinely receives donations from us. Ricardo Guajardo Touché, a director of Coca-Cola FEMSA, is also a member of the board of directors of ITESM.

Allen & Company LLC provides investment banking services to us and our affiliates in the ordinary course of its business. Enrique Senior, one of our directors, is a Managing Director of Allen & Company LLC, and Herbert Allen III, an alternate director, is the president of Allen & Company LLC.

We are insured in Mexico primarily under certain of FEMSA's insurance policies with Grupo Nacional Provincial S.A., of which the son of the chairman of its board of directors, Alejandro Bailleres Gual is one of our alternate directors. The policies were purchased pursuant to a competitive bidding process.

In October 2011, we executed certain agreements with affiliates of Grupo Tampico to acquire specific products and services such as plastic cases, certain trucks and car brands, as well as autoparts exclusively for the territories of Grupo Tampico, which agreements provide for certain preferences to be elected as suppliers in our suppliers' bidding processes.

## Item 8. Financial Information

### CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

### Consolidated Financial Statements

**See "Item 18. Financial Statements"** beginning on page F-1.

### Dividend Policy

For a discussion of our dividend policy, see **"Item 3. Key Information—Dividends and Dividend Policy."**

### Significant Changes

No significant changes have occurred since the date of the annual financial statements included in this annual report.

## LEGAL PROCEEDINGS

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

### Mexico

***Antitrust Matters***. During 2000, the CFC, pursuant to complaints filed by PepsiCo and certain of its bottlers in Mexico, began an investigation of The Coca-Cola Company Export Corporation (TCECC) and its bottlers for alleged monopolistic practices through exclusivity arrangements with certain retailers. After the corresponding legal proceedings in 2008, a Mexican Federal Court, rendered a final adverse judgment against two out of our eight Mexican subsidiaries involved in the proceedings (including Grupo CIMSA and Grupo Tampico), upholding a fine of approximately Ps. 10.5 million imposed by CFC on each of the two subsidiaries and ordering the immediate suspension of such practices of alleged exclusivity arrangements and conditional dealing. With respect to the complaints against the remaining six subsidiaries (including Grupo CIMSA and Grupo Tampico), a final favorable resolution was rendered in Mexican Federal Court and the CFC, which ruling dropped the fines and ruled in favor of all of our subsidiaries, on the grounds of insufficient evidence to prove individual and specific liability in the alleged antitrust violations. These resolutions are final and unappealable.

In February 2009, the CFC began a new investigation of alleged monopolistic practices consisting of sparkling beverage sales subject to exclusivity agreements and the granting of discounts and/or benefits in exchange for exclusivity arrangements with certain retailers. In December 2011, the CFC closed this investigation on the grounds of insufficient evidence of monopolistic practices by The Coca-Cola Company and its bottlers. However, on February 9, 2012 the plaintiff appealed the decision of the CFC. The CFC has not yet ruled on whether to accept or deny the appeal.

### Central America

***Antitrust Matters in Costa Rica***. During August 2001, the *Comisión para Promover la Competencia* in Costa Rica (Costa Rican Antitrust Commission) pursuant to a complaint filed by PepsiCo. and its bottler in Costa Rica initiated an investigation of the sales practices of The Coca-Cola Company and our Costa Rican subsidiary for alleged monopolistic practices in retail distribution, including sales exclusivity arrangements. A ruling from the Costa Rican Antitrust Commission was issued in July 2004, which found our subsidiary in Costa Rica engaged in monopolistic practices with respect to exclusivity arrangements, pricing and the sharing of coolers under certain limited circumstances and imposed a fine of US$ 130,000 (approximately Ps. 1.5 million. The court dismissed our appeal of the ruling. On August 30, 2011, we appealed the court's dismissal before the Supreme Court, but the Supreme Court affirmed the dismissal on December 1, 2011. Notwithstanding the above, the above resolutions will not have a material adverse effect on our financial condition and operations because we have already paid the Costa Rican Antitrust Commission's fine and are currently complying with its resolution.

In November 2004, Ajecen del Sur S.A., the bottler of *Big Cola* in Costa Rica, filed a complaint before the Costa Rican Antitrust Commission related to monopolistic practices in retail distribution and exclusivity agreements against The Coca-Cola Company and our Costa Rican subsidiary. The Costa Rican Antitrust Commission has decided to pursue an investigation. The period for gathering of evidence ended in August 2008, and the final arguments have been filed. Based on our experience, we expect that the maximum fine that could be imposed is US$ 300,000 (approximately Ps. 3.5 million). The final resolution issued by the Costa Rican Antitrust Commission ruled in our favor, imposing no fine.

### Colombia

***Labor Matters***. During July 2001, a labor union and several individuals from the Republic of Colombia filed a lawsuit in the U.S. District Court for the Southern District of Florida against certain of our subsidiaries. The plaintiffs alleged that the subsidiaries engaged in wrongful acts against the labor union and its members in Colombia, including kidnapping, torture, death threats and intimidation. The complaint alleges claims under the U.S. Alien Tort Claims Act, Torture Victim Protection Act, Racketeer Influenced and Corrupt Organizations Act and state tort law and seeks injunctive and declaratory relief and damages of more than US$ 500 million, including treble and punitive damages and the cost of the suit, including attorney fees. In September 2006, the federal district court dismissed the complaint with respect to all claims. The plaintiffs appealed and in August 2009, the Appellate Court affirmed the decision in favor of our subsidiaries. The plaintiffs moved for a rehearing, and in September 2009, the rehearing motion was denied. Plaintiffs attempted to seek reconsideration *en banc*, but so far, the court has not considered it.

### Venezuela

***Tax Matters***. In 1999, some of our Venezuelan subsidiaries received notice of indirect tax claims asserted by the Venezuelan tax authorities. These subsidiaries have taken the appropriate measures against these claims at the administrative level and filed appeals with the Venezuelan courts. The claims currently amount to approximately US$ 21.1 million (approximately Ps. 250 million). We have certain rights to indemnification from Venbottling Holding, Inc., a former shareholder of Panamco and The Coca-Cola Company, for a substantial portion of the claims. We do not believe that the ultimate resolution of these cases will have a material adverse effect on our financial condition or results from operations.

### Brazil

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

## Item 9. The Offer and Listing

### TRADING MARKETS

The following table sets forth, for the periods indicated, the reported high and low nominal sale prices for the Series L shares on the Mexican Stock Exchange and the reported high and low nominal sale prices for the ADSs on the New York Stock Exchange:

| | Mexican Stock Exchange Mexican pesos per Series L Share | | New York Stock Exchange U.S. dollars per ADS | |
|---|---|---|---|---|
| | High(1) | Low(1) | High(1) | Low(1) |
| 2007: | | | | |
| Full year | Ps. 53.65 | Ps. 37.78 | US$ 49.28 | US$ 34.05 |
| 2008: | | | | |
| Full year | Ps. 64.49 | Ps. 38.00 | US$ 62.50 | US$ 27.74 |
| 2009: | | | | |
| First quarter | Ps. 62.90 | Ps. 40.96 | US$ 45.13 | US$ 26.41 |
| Second quarter | 56.83 | 48.23 | 43.09 | 35.16 |
| Third quarter | 65.81 | 53.31 | 49.47 | 39.03 |
| Fourth quarter | 86.71 | 66.43 | 66.87 | 47.75 |
| 2010: | | | | |
| First quarter | Ps. 88.07 | Ps. 74.24 | US$ 69.67 | US$ 57.67 |
| Second quarter | 94.00 | 79.90 | 70.99 | 62.59 |
| Third quarter | 103.37 | 81.83 | 81.26 | 62.76 |

| | | | | |
|---|---|---|---|---|
| Fourth quarter.................................. | 103.36 | 92.25 | 83.61 | 76.96 |
| 2011: | | | | |
| First quarter ..................................... | Ps. 102.34 | Ps. 87.40 | US$ 83.65 | US$ 72.08 |
| Second quarter................................. | 110.48 | 91.15 | 93.01 | 78.47 |
| Third quarter.................................... | 126.95 | 104.61 | 98.90 | 84.84 |
| Fourth quarter.................................. | 135.91 | 116.20 | 97.24 | 83.34 |
| 2012: | | | | |
| January ................ | Ps. 133.58 | Ps. 125.61 | US$ 98.99 | US$ 94.30 |
| February .............. | 130.46 | 126.59 | 101.46 | 98.95 |
| March .................. | 135.92 | 125.91 | 105.91 | 97.75 |
| First Quarter ........ | 135.92 | 125.61 | 105.91 | 94.30 |

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

## TRADING ON THE MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange or the *Bolsa Mexicana de Valores, S.A.B. de C.V.*, located in Mexico City, is the only stock exchange in Mexico. Trading takes place principally through automated systems that are open between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. Beginning in March 2008, during daylight savings time, trading hours change to match the New York Stock Exchange trading hours, opening at 7:30 a.m. and closing at 2:00 p.m. local time. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the Series L shares that are directly or indirectly (for example, through ADSs) quoted on a stock exchange outside of Mexico.

Settlement is effected three business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the Mexican Stock Exchange. Most securities traded on the Mexican Stock Exchange, including our shares, are on deposit with S.D. Indeval, S.A. de C.V., Instituto para el Depósito de Valores, which we refer to as Indeval, a privately owned securities depositary that acts as a clearinghouse for Mexican Stock Exchange transactions.

**Item 10. Additional Information**

## BYLAWS

The following is a summary of the material provisions of our bylaws and applicable Mexican law. The last amendment of our bylaws was approved on October 10, 2011. For a description of the provisions of our bylaws relating to our board of directors and executive officers, **see "Item 6. Directors, Senior Management and Employees."**

The main changes made to our bylaws on October 10, 2011, were to Article 25 which increased the number of our board members from 18 to 21 and the number of directors that each series is entitled to appoint, and Article 26 which provides that the shareholders meeting that approves Series B shares issuance will determine which series of shares is to reduce the number of directors that such series is entitled to appoint. Article 6 of our bylaws was also amended to include the number of shares included in our minimum fixed capital stock without the right to withdraw.

### Organization and Register

We were incorporated on October 30, 1991, as a *sociedad anónima de capital variable* (Mexican variable stock corporation) in accordance with the *Ley General de Sociedades Mercantiles* (Mexican General Corporations Law). On December 5, 2006, we became a *sociedad anónima bursátil de capital variable* (Mexican variable capital listed stock company) and amended our bylaws in accordance with the Mexican Securities Market Law. We were registered in the *Registro Público de la Propiedad y del Comercio* (Public Registry of Property and Commerce) of Monterrey, Nuevo León, Mexico on November 22, 1991 under mercantile number 2986, folio 171, volume 365, third book of the Commerce section. In addition, due to the change of address of our company to Mexico City, we are also registered in the Public Registry of Property and Commerce of Mexico City since June 28, 1993 under mercantile number 176, 543.

### Purposes

The main corporate purposes of our company include the following:

- to establish, promote and organize corporations or companies of any type, as well as to acquire and possess shares or equity participations in them;
- to carry out all types of active and passive transactions involving bonds, shares, participations and securities of any type;
- to provide or receive advisory, consulting or other types of services in business matters;
- to conduct business with equipment, raw materials and any other items necessary to the companies in which we have an interest in or with which we have commercial relations;
- to acquire and dispose of trademarks, tradenames, commercial names, copyrights, patents, inventions, franchises, distributions, concessions and processes;
- to possess, build, lease and operate real and personal property, install or by any other title operate plants, warehouses, workshops, retail or deposits necessary for our corporate purpose;
- to subscribe, buy and sell stocks, bonds and securities among other things; and
- to draw, accept, make, endorse or guarantee negotiable instruments, issue bonds secured with real property or unsecured, and to make us jointly liable, to grant security of any type with regard to obligations entered into by us or by third parties, and in general, to perform the acts, enter into the agreements and carry out other transactions as may be necessary or conducive to our business purpose.

**Voting Rights, Transfer Restrictions and Certain Minority Rights**

Series A and Series D shares have full voting rights and are subject to transfer restrictions. Although no Series B shares have been issued, our bylaws provide for the issuance of Series B shares with full voting rights that are freely transferable. Series L shares are freely transferable but have limited voting rights. None of our shares are exchangeable for shares of a different series. The rights of all series of our capital stock are substantially identical except for:

- restrictions on transfer of the Series A and Series D shares;
- limitations on the voting rights of Series L shares;
- the respective rights of the Series A, Series D and Series L shares, voting as separate classes in a special meeting, to elect specified numbers of our directors and alternate directors;
- the respective rights of Series D shares to participate in the voting of extraordinary matters, as they are defined by our bylaws; and
- prohibitions on non-Mexican ownership of Series A shares. **See "Item 6. Directors, Senior Management and Employees," and "—Additional Transfer Restrictions Applicable to Series A and Series D shares."**

Under our bylaws, holders of Series L shares are entitled to vote in limited circumstances. They may appoint for election and elect up to three of our maximum of 21 directors and, in certain circumstances where holders of Series L shares have not voted for the director elected by holders of the majority of these series of shares, they may be entitled to elect and remove one director, through a general shareholders meeting, if they own 10% or more of all issued, subscribed and paid shares of the capital stock of the company, pursuant to the Mexican Securities Market Law. **See "Item 6. Directors, Senior Management and Employees."** In addition, they are entitled to vote on certain matters, including certain changes in our corporate form, mergers involving our company when our company is the merged entity or when the principal corporate purpose of the merged entity is not related to the corporate purpose of our company, the cancellation of the registration of the Series "L" shares in the Mexican Stock Exchange or any other foreign stock exchange and those matters for which the Mexican Securities Market Law expressly allow them to vote.

Holders of our shares in the form of ADSs will receive notice of shareholders meetings from our ADS depositary in sufficient time to enable such holders to return voting instructions to the ADS depositary in a timely manner. Our past practice, which we intend to continue, has been to inform the depositary to timely notify holders of our shares in the form of ADSs of upcoming votes and ask for their instructions.

A quorum of 82% of our subscribed and paid shares of capital stock (including the Series L shares) and the vote of at least a majority of our capital stock voting (and not abstaining) at such extraordinary meeting is required for:

- the transformation of our company from one type of company to another (other than changing from a variable capital to fixed-capital corporation and vice versa);
- any merger where we are not the surviving entity or any merger with an entity whose principal corporate purposes are different from those of our company or our subsidiaries; and
- cancellation of the registration of our the Series "L" shares with the Mexican Registry of Securities, or RNV, maintained by the CNBV or with other foreign stock exchanges on which our shares may be listed.

In the event of cancellation of the registration of any of our shares in the RNV, whether by order of the CNBV or at our request with the prior consent of 95% of the holders of our outstanding capital stock, our bylaws and the Mexican Securities Market Law require us to make a public offer to acquire these shares prior to their cancellation.

Holders of Series L shares may attend, but not address, meetings of shareholders at which they are not entitled to vote.

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

Pursuant to the Mexican Securities Market Law, we are subject to a number of minority shareholder protections. These minority protections include provisions that permit:

- holders of at least 10% of our outstanding capital stock entitled to vote (including in a limited or restricted manner) may require the chairman of the board of directors or of the Audit or Corporate Practices Committees to call a shareholders meeting;

- holders of at least 5% of our outstanding capital stock may bring an action for liability against our directors, the secretary of the board of directors or certain key officers;

- holders of at least 10% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, at any shareholders meeting to request that resolutions with respect to any matter on which they considered they were not sufficiently informed be postponed;

- holders of 20% of our outstanding capital stock to oppose any resolution adopted at a shareholders meeting in which they are entitled to vote and file a petition for a court order to suspend the resolution temporarily within 15 days following the adjournment of the meeting at which the action was taken, provided that (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (3) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; and

- holders of at least 10% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, to appoint one member of our board of directors and one alternate member of our board of directors.

**Shareholders Meetings**

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary meetings are those called to consider certain matters specified in Article 182 of the Mexican General Corporations Law, Article 53 of the Mexican Securities Market Law and in our bylaws. These matters include, among others: amendments to the bylaws, liquidation, dissolution, merger and transformation from one form of company to another, issuance of preferred stock and increases and reductions of the fixed portion of our capital stock. In addition, our bylaws require an extraordinary meeting to consider the cancellation of the registration of our shares with the RNV or with other foreign stock exchanges on which our shares may be listed, the amortization of distributable earnings into capital stock, and an increase in our capital stock. All other matters, including increases or decreases affecting the variable portion of our capital stock, are considered at an ordinary meeting.

An ordinary meeting of the holders of Series A and Series D shares must be held at least once each year (1) to consider the approval of the financial statements of our Company for the preceding fiscal year and (2) to determine the allocation of the profits of the preceding year. Further, any transaction to be entered into by us or our subsidiaries within the next fiscal year that represents 20% or more of our consolidated assets must be approved at an ordinary shareholders meeting at which holders of Series L shares shall be entitled to vote.

Mexican law provides for a special meeting of shareholders to allow holders of shares of a series to vote as a class on any action that would prejudice exclusively the rights of holders of such series. Holders of Series A, Series D and Series L shares at their respective special meetings must appoint, remove or ratify directors, as well as determine their compensation.

The quorum for ordinary and extraordinary meetings at which holders of Series L shares are not entitled to vote is 76% of the holders of subscribed and paid Series A and Series D shares, and the quorum for an extraordinary meeting at which holders of Series L shares are entitled to vote is 82% of the subscribed and paid shares of capital stock.

The quorum for special meetings of any series of shares is 75% of the holders of the subscribed and paid capital stock of such shares, and action may be taken by holders of a majority of such series of shares.

Resolutions adopted at an ordinary or extraordinary shareholders meeting are valid when adopted by holders of at least a majority of the subscribed and paid in capital stock voting (and not abstaining) at the meeting, unless in the event of any decisions defined as extraordinary matters by the bylaws or any payment of dividends above 20% of the preceding years' retained earnings, which shall require the approval of a majority of shareholders of each of Series A and Series D shares voting together as a single class. Resolutions adopted at a special shareholders meeting are valid when adopted by the holders of at least a majority of the subscribed and paid shares of the series of shares entitled to attend the special meeting.

Shareholders meetings may be called by the board of directors, the Audit Committee or the Corporate Practices Committee and, under certain circumstances, a Mexican court. Holders of 10% or more of our capital stock may require the chairman of the board of directors, or the chairmen of the Audit Committee or Corporate Practices Committee to call a shareholders meeting. A notice of meeting and an agenda must be published in a newspaper of general circulation in Mexico City at least 15 days prior to the meeting. Notices must set forth the place, date and time of the meeting and the matters to be addressed and must be signed by whomever convened the meeting. All relevant information relating to the shareholders meeting must be made available to shareholders starting on the date of publication of the notice. To attend a meeting, shareholders must deposit their shares with the company or with Indeval or an institution for the deposit of securities prior to the meeting as indicated in the notice. If entitled to attend the meeting, a shareholder may be represented by an attorney-in-fact.

**Additional Transfer Restrictions Applicable to Series A and Series D Shares**

Our bylaws provide that no holder of Series A or Series D shares may sell its shares unless it has disclosed the terms of the proposed sale and the name of the proposed buyer and has previously offered to sell the shares to the holders of the other series for the same price and terms as it intended to sell the shares to a third party. If the shareholders being offered shares do not choose to purchase the shares within 90 days of the offer, the selling shareholder is free to sell the shares to the third party at the price and under the specified terms. In addition, our bylaws impose certain procedures in connection with the pledge of any Series A or Series D shares to any financial institution that are designed, among other things, to ensure that the pledged shares will be offered to the holders of the other series at market value prior to any foreclosure. Finally, a proposed transfer of Series A or Series D shares other than a proposed sale or a pledge, or a change of control of a holder of Series A or Series D shares that is a subsidiary of a principal shareholder, would trigger rights of first refusal to purchase the shares at market value. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."**

**Dividend Rights**

At the annual ordinary meeting of holders of Series A and Series D shares, the board of directors submits our financial statements for the previous fiscal year, together with a report thereon by the board of directors. Once the holders of Series A and Series D shares have approved the financial statements, they determine the allocation of our net income for the preceding year. Mexican law requires the allocation of at least 5% of net income to a legal reserve, which is not subsequently available for distribution until the amount of the legal reserve equals 20% of our capital stock. Thereafter, the holders of Series A and Series D shares may determine and allocate a certain percentage of net income to any general or special reserve, including a reserve for open-market purchases of our shares. The remainder of net income is available for distribution in the form of dividends to the shareholders.

All shares outstanding and fully paid (including Series L shares) at the time a dividend or other distribution is declared are entitled to share equally in the dividend or other distribution. No series of shares is entitled to a preferred dividend. Shares that are only partially paid participate in a dividend or other distributions in the same proportion that the shares have been paid at the time of the dividend or other distributions. Treasury shares are not entitled to dividends or other distributions.

### Change in Capital

According to our bylaws, any change in our authorized capital stock requires a resolution of an extraordinary meeting of shareholders. We are permitted to issue shares constituting fixed capital and shares constituting variable capital. The fixed portion of our capital stock may be increased or decreased only by amendment of our bylaws adopted by a resolution at an extraordinary meeting of the shareholders. The variable portion of our capital stock may be increased or decreased by resolution of an ordinary meeting of the shareholders without amending our bylaws. All changes in the fixed or variable capital have to be registered in our capital variation registry.

A capital stock increase may be effected through the issuance of new shares for payment in cash or in kind, or by capitalization of indebtedness or of certain items of shareholders' equity. Treasury stock may only be sold pursuant to a public offering.

### Preemptive Rights

The Mexican Securities Market Law permits the issuance and sale of shares through a public offering without granting shareholders preemptive rights, if permitted by the bylaws and upon, among other things, express authorization of the CNBV and the approval of the extraordinary shareholders meeting called for such purpose. Under Mexican law and our bylaws, except in these circumstances and other limited circumstances (including mergers, sales of repurchased shares, conversion into shares of convertible securities and capital increases by means of payment in kind for shares or shares issued in return for the cancellation of debt), in the event of an increase in our capital stock, a holder of record generally has the right to subscribe to shares of a series held by such holder sufficient to maintain such holder's existing proportionate holding of shares of that series. Preemptive rights must be exercised during a term fixed by the shareholders at the meeting declaring the capital increase, which term must last at least 15 days following the publication of notice of the capital increase in the Mexican Official State Gazette. As a result of applicable United States securities laws, holders of ADSs may be restricted in their ability to participate in the exercise of preemptive rights under the terms of the deposit agreement. Shares subject to a preemptive rights offering, with respect to which preemptive rights have not been exercised, may be sold by us to third parties on the same terms and conditions previously approved by the shareholders or the board of directors. Under Mexican law, preemptive rights cannot be waived in advance or be assigned, or be represented by an instrument that is negotiable separately from the corresponding shares.

### Limitations on Share Ownership

Ownership by non-Mexican nationals of shares of Mexican companies is regulated by the 1993 Foreign Investment Law and its regulations. The Mexican Foreign Investment Commission is responsible for the administration of the Mexican Foreign Investment Law and its regulations.

As a general rule, the Mexican Foreign Investment Law allows foreign holdings of up to 100% of the capital stock of Mexican companies, except for those companies engaged in certain specified restricted industries. The Mexican Foreign Investment Law and its regulations require that Mexican shareholders retain the power to determine the administrative control and the management of corporations in industries in which special restrictions on foreign holdings are applicable. Foreign investment in our shares is not limited under either the Mexican Foreign Investment Law or its regulations.

Although the Mexican Foreign Investment Law grants broad authority to the Mexican Foreign Investment Commission to allow foreign investors to own more than 49% of the capital of Mexican enterprises after taking into consideration public policy and economic concerns, our bylaws provide that Series A shares must at all times constitute no less than 51% of all outstanding common shares (excluding Series L shares) and may only be held by Mexican investors. Under our bylaws, in the event Series A shares are subscribed or acquired by any other shareholders holding shares of any other series, and the shareholder is of a nationality other than Mexican, these Series A shares are automatically converted into shares of the same series of stock that this shareholder owns, and this conversion will be considered perfected at the same time as the subscription or acquisition.

**Other Provisions**

***Authority of the Board of Directors***. The board of directors is our legal representative and is authorized to take any action in connection with our operations not expressly reserved to our shareholders. Pursuant to the Mexican Securities Market Law, the board of directors must approve, observing at all moments their duty of care and duty of loyalty, among other matters:

- any transactions with related parties outside the ordinary course of our business;
- significant asset transfers or acquisitions;
- material guarantees or collateral;
- appointment of officers and managers deemed necessary, as well as the necessary committees;
- the five-year business plan and the annual business plan;
- internal policies; and
- other material transactions.

Meetings of the board of directors are validly convened and held if a majority of the members are present. Resolutions passed at these meetings will be valid if approved by a majority of the directors voting (and not abstaining). The majority of the members, which shall include the vote of at least two Series D Shares directors, shall approve any extraordinary decision including any new business acquisition or combination or any change in the existing line of business, among others. If required, the chairman of the board of directors may cast a tie-breaking vote.

**See "Item 6. Directors, Senior Management and Employees—Directors" and "Item 6. Directors, Senior Management and Employees—Board Practices."**

***Redemption***. Our fully paid shares are subject to redemption in connection with either (1) a reduction of capital stock or (2) a redemption with distributable earnings, which, in either case, must be approved by our shareholders at an extraordinary shareholders meeting. The shares subject to any such redemption would be selected by us by lot or in the case of redemption with distributable earnings, by purchasing shares by means of a tender offer conducted on the Mexican Stock Exchange, in accordance with the Mexican General Corporations Law and the Mexican Securities Market Law.

***Repurchase of Shares***. According to our bylaws, and subject to the provisions of the Mexican Securities Market Law and under rules promulgated by the CNBV, we may repurchase our shares.

In accordance with the Mexican Securities Market Law, our subsidiaries may not purchase, directly or indirectly, shares of our capital stock or any security that represents such shares.

***Forfeiture of Shares***. As required by Mexican law, our bylaws provide that non-Mexican holders of our shares are (1) considered to be Mexican with respect to such shares that they acquire or hold and (2) may not invoke the protection of their own governments in respect of the investment represented by those shares. Failure to comply with our bylaws may result in a penalty of forfeiture of a shareholder's capital stock in favor of the Mexican state. Under this provision, a non-Mexican holder of our shares (including a non-Mexican holder of ADSs) is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican state with respect to its rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the United States securities laws, with respect to its investment in our company. If a shareholder should invoke governmental protection in violation of this agreement, its shares could be forfeited to the Mexican state.

***Duration***. Our bylaws provide that our company's term is for 99 years from its date of incorporation, unless extended through a resolution of an extraordinary shareholders meeting.

***Fiduciary Duties—Duty of Care***. The Mexican Securities Market Law provides that the directors shall act in good faith and in our best interest and in the best interest of our subsidiaries. In order to fulfill its duty, the board of directors may:

- request information about us or our subsidiaries that is reasonably necessary to fulfill its duties;
- require our officers and certain other persons, including the external auditors, to appear at board of directors' meetings to report to the board of directors;
- postpone board of directors' meetings for up to three days when a director has not been given sufficient notice of the meeting or in the event that a director has not been provided with the information provided to the other directors; and
- require a matter be discussed and voted upon by the full board of directors in the presence of the secretary of the board of directors.

Our directors may be liable for damages for failing to comply their duty of care if such failure causes economic damage to us or our subsidiaries and the director (1) failed to attend, board of directors' or committee meetings and as a result of, such failure, the board of directors was unable to take action, unless such absence is approved by the shareholders meeting, (2) failed to disclose to the board of directors or the committees material information necessary for the board of directors to reach a decision, unless legally prohibited from doing so or required to do so to maintain confidentiality, and (3) failed to comply with the duties imposed by the Mexican Securities Market Law or our bylaws.

***Fiduciary Duties—Duty of Loyalty***. The Mexican Securities Market Law provides that the directors and secretary of the board of directors shall keep confidential any non-public information and matters about which they have knowledge as a result of their position. Also, directors should abstain from participating, attending or voting at meetings related to matters where they have a conflict of interest.

The directors and secretary of the board of directors will be deemed to have violated the duty of loyalty, and will be liable for damages, when they obtain an economic benefit by virtue of their position. Further, the directors will fail to comply with their duty of loyalty if they:

- vote at a board of directors' meeting or take any action on a matter involving our assets where there is a conflict of interest;
- fail to disclose a conflict of interest during a board of directors' meeting;
- enter into an voting arrangement to support a particular shareholder or group of shareholders against the other shareholders;
- approve transactions without complying with the requirements of the Mexican Securities Market Law;
- use company property in violation of the policies approved by the board of directors;
- unlawfully use material non-public information; and
- usurp a corporate opportunity for their own benefit or the benefit of a third party, without the prior approval of the board of directors.

***Appraisal Rights***. Whenever the shareholders approve a change of corporate purpose, change of nationality or the transformation from one form of company to another, any shareholder entitled to vote on such change that has voted against it, may withdraw as a shareholder of our company and have its shares redeemed at a price per share calculated as specified under applicable Mexican law, provided that it exercises its right within 15 days following the adjournment of the meeting at which the change was approved. In this case, the shareholder would be entitled to the reimbursement of its shares, in proportion to the company's assets in accordance with the last approved balance sheet. Because holders of Series L shares are not entitled to vote on certain types of these changes, these withdrawal rights are available to holders of Series L shares in fewer cases than to holders of other series of our capital stock.

***Liquidation***. Upon our liquidation, one or more liquidators may be appointed to wind up our affairs. All fully paid and outstanding shares of capital stock (including Series L shares) will be entitled to participate equally in any distribution upon liquidation. Shares that are only partially paid participate in any distribution upon liquidation in the proportion that they have been paid at the time of liquidation. There are no liquidation preferences for any series of our shares.

***Actions Against Directors***. Shareholders (including holders of Series L shares) representing, in the aggregate, not less than 5% of the capital stock may directly bring an action against directors

In the event of actions derived from any breach of the duty of care and the duty of loyalty, liability is exclusively in favor of the company. The Mexican Securities Market Law, contrary to the previous securities law, establishes that liability may be imposed on the members and the secretary of the board of directors, as well as to the relevant officers.

Notwithstanding, the Mexican Securities Market Law provides that the members of the board of directors will not incur, individually or jointly, in liability for damages and losses caused to the company, when their acts were made in good faith, provided that (1) the directors complied with the requirements of the Mexican Securities Market Law and with the company's bylaws, (2) the decision making or voting was based on information provided by the relevant officers, the external auditor or the independent experts, whose capacity and credibility do not offer reasonable doubt; (3) the negative economic effects could not have been foreseen, based on the information available; and (4) the resolutions of the shareholders meeting were observed.

***Limited Liability***. The liability of shareholders for our company's losses is limited to their shareholdings in our company.

## MATERIAL AGREEMENTS

We manufacture, package, distribute and sell sparkling beverages, still beverages, value-added dairy products, coffee products, and bottled water under bottler agreements with The Coca-Cola Company. In addition, pursuant to a tradename license agreement with The Coca-Cola Company, we are authorized to use certain trademark names of The Coca-Cola Company. For a discussion of the terms of these agreements, **see "Item 4. Information on the Company—Bottler Agreements."**

We operate pursuant to a shareholders agreement, as amended from time to time, among two subsidiaries of FEMSA, The Coca-Cola Company and certain of its subsidiaries. For a discussion of the terms of this agreement, **see "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."**

We purchase the majority of our non-returnable plastic bottles from ALPLA, a provider authorized by The Coca-Cola Company, pursuant to an agreement we entered into in April 1998 for our original operations in Mexico. Under this agreement, we rent plant space to ALPLA, where it produces plastic bottles to certain specifications and quantities for our use.

In September 2010, we renewed and extended our existing agreements with Hewlett Packard (formerly known as Electronic Data Systems before acquisition by Hewlett Packard), for the outsourcing of technology services in all of our territories. These agreements are valid until August 2015, unless terminated by us through previous notice to Hewlett Packard.

**See "Item 5. Operating and Financial Review and Prospects—Summary of Significant Debt Instruments"** for a brief discussion of certain terms of our significant debt agreements.

**See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions"** for a discussion of other transactions and agreements with our affiliates and associated companies.

# TAXATION

The following summary contains a description of certain U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of our Series L shares or ADSs by a holder that is a citizen or resident of the United States, a U.S. domestic corporation or a person or entity that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the Series L shares or ADSs, which we refer to as a U.S. holder, but it does not purport to be a description of all of the possible tax considerations that may be relevant to a decision to purchase the Series L shares or ADSs. In particular, this discussion does not address all Mexican or U.S. federal income tax considerations that may be relevant to a particular investor, nor does it address the special tax rules applicable to certain categories of investors, such as banks, dealers, traders who elect to mark to market, tax-exempt entities, insurance companies, certain short-term holders of Series L shares or ADSs or investors who hold the Series L shares or ADSs as part of a hedge, straddle, conversion or integrated transaction or investors who have a "functional currency" other than the U.S. dollar. U.S. holders should be aware that the tax consequences of holding the Series L shares or ADSs may be materially different for investors described in the preceding sentence. This summary deals only with U.S. holders that will hold the Series L shares or ADSs as capital assets and does not address the tax treatment of a U.S. holder that owns or is treated as owning 10% or more of the voting shares (including Series L shares) of our company.

This summary is based upon the federal tax laws of the United States and Mexico as in effect on the date of this annual report, including the provisions of the income tax treaty between the United States and Mexico and the protocols thereto, which we refer in this annual report as the Tax Treaty, which are subject to change. The summary does not address any tax consequences under the laws of any state or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States. Holders of the Series L shares or ADSs should consult their tax advisers as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of Series L shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws.

## Mexican Taxation

For purposes of this summary, the term "non-resident holder" means a holder that is not a resident of Mexico and that does not hold the Series L shares, or ADSs in connection with the conduct of a trade or business through a permanent establishment in Mexico. For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, or if he or she has another home outside Mexico but his or her "center of vital interests" (as defined in the Mexican Tax Code) is located in Mexico. The "center of vital interests" of an individual is situated in Mexico when, among other circumstances, more than 50% of that person's total income during a calendar year originates from within Mexico. A legal entity is a resident of Mexico if it has its principal place of business or its place of effective management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless such a person can demonstrate that the contrary is true. If a legal entity or an individual is deemed to have a permanent establishment in Mexico for tax purposes, all income attributable to such a permanent establishment will be subject to Mexican taxes, in accordance with applicable tax laws.

## Tax Considerations Relating to the Series L shares and the ADSs

***Taxation of Dividends***. Under Mexican income tax law, dividends, either in cash or in kind, paid with respect to the Series L shares represented by ADSs or the Series L shares are not subject to Mexican withholding tax.

***Taxation of Dispositions of ADSs or Series L shares***. Gains from the sale or disposition of ADSs by non-resident holders will not be subject to Mexican withholding tax. Gains from the sale of Series L shares carried out by non resident holders through the Mexican Stock Exchange or other securities markets situated in countries that have a tax treaty with Mexico will generally be exempt from Mexican tax provided certain additional requirements are met. Also, certain restrictions will apply if the Series L shares are transferred as a consequence of public offerings.

Gains on the sale or other disposition of Series L shares or ADSs made in other circumstances generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor. However, under the Tax Treaty, a holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of Series L shares or ADSs in a transaction that is not carried out through the Mexican Stock Exchange or other approved securities markets, so long as the holder did not own, directly or indirectly, 25% or more of our total capital stock (including Series L shares represented by ADSs) within the 12-month period preceding such sale or other disposition and provided that the gains are not attributable to a permanent establishment or a fixed base in Mexico. Deposits of Series L shares in exchange for ADSs and withdrawals of Series L shares in exchange for ADSs will not give rise to Mexican tax.

Non-resident holders that do not meet the requirements referred to above are subject to a 5% withholding tax on the gross sales price received upon the sale of Series L shares through the Mexican Stock Exchange. Alternatively, non-resident holders may elect to be subject to a 20% tax rate on their net gains from the sale as calculated pursuant to the Mexican Income Tax Law provisions. In both cases, the financial institutions involved in the transfers must withhold the tax.

**Other Mexican Taxes**

There are no Mexican inheritance, gift, succession or value added taxes applicable to the ownership, transfer, exchange or disposition of the ADSs or the Series L shares, although gratuitous transfers of Series L shares may in certain circumstances cause a Mexican federal tax to be imposed upon the recipient. There are no Mexican stamp, issue, registration or similar taxes or duties payable by holders of the ADSs or Series L shares.

**United States Taxation**

**Tax Considerations Relating to the Series L shares and the ADSs**

In general, for U.S. federal income tax purposes, holders of ADSs will be treated as the owners of the Series L shares represented by those ADSs.

***Taxation of Dividends***. The gross amount of any dividends paid with respect to the Series L shares represented by ADSs or the Series L shares generally will be included in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder, in the case of the Series L shares, or by the depositary, in the case of the Series L shares represented by ADSs, and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended. Dividends, which will be paid in Mexican pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated, in general, by reference to the exchange rate in effect on the date that they are received by the U.S. holder, in the case of the Series L shares, or by the depositary, in the case of the Series L shares represented by the ADSs (regardless of whether such Mexican pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder in respect of Series L shares or ADSs for taxable years beginning before January 1, 2013 is subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (1) the issuer is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules and (2) the issuer was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid a passive foreign investment company. The income tax treaty between Mexico and the United States has been approved for the purposes of the qualified dividend rules. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a passive foreign investment company for U.S. federal income tax purposes with respect to our 2011 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a passive foreign investment company for our 2012 taxable year. U.S. holders should consult their tax advisers regarding the treatment of the foreign currency gain or loss, if any, on any Mexican pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt. Dividends generally will constitute foreign source "passive income" for U.S. foreign tax credit purposes.

Distributions to holders of additional Series L shares with respect to their ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

A holder of Series L shares or ADSs that is, with respect to the United States, a foreign corporation or non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on dividends received on Series L shares or ADSs unless such income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States.

***Taxation of Capital Gains***. A gain or loss realized by a U.S. holder on the sale or other disposition of ADSs or Series L shares will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's tax basis in the ADSs or the Series L shares. Any such gain or loss will be a long-term capital gain or loss if the ADSs or Series L shares were held for more than one year on the date of such sale. Long-term capital gain recognized by a U.S. holder that is an individual is subject to reduced rates of federal income taxation. The deduction of capital loss is subject to limitations for U.S. federal income tax purposes. Deposits and withdrawals of Series L shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Gain, if any, realized by a U.S. holder on the sale or other disposition of Series L shares or ADSs will be treated as U.S. source income for U.S. foreign tax credit purposes.

A non-U.S. holder of Series L shares or ADSs will not be subject to U.S. federal income or withholding tax on any gain realized on the sale of Series L shares or ADSs, unless (1) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States, or (2) in the case of gain realized by an individual non-U.S. holder, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

### United States Backup Withholding and Information Reporting

A U.S. holder of Series L shares or ADSs may, under certain circumstances, be subject to "backup withholding" with respect to certain payments to such U.S. holder, such as dividends or the proceeds of a sale or disposition of Series L shares or ADSs unless such holder (1) is a corporation or comes within certain exempt categories, and demonstrates this fact when so required, or (2) provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules does not constitute a separate tax and will be creditable against the holder's U.S. federal income tax liability. While non-U.S. holders generally are exempt from backup withholding, a non-U.S. holder may, in certain circumstances, be required to comply with certain information and identification procedures in order to prove this exemption.

## DOCUMENTS ON DISPLAY

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its public reference room in Washington, D.C., at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Filings we make electronically with the SEC are also available to the public on the Internet at the SEC's website at www.sec.gov and at our website at www.coca-colafemsa.com. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this annual report.)

## Item 11. Quantitative and Qualitative Disclosures about Market Risk

As a part of our risk management strategy, we use derivative financial instruments with the purpose of (1) achieving a desired liability structure with a balanced risk profile, (2) managing the exposure to production input and raw material costs and (3) hedging balance sheet and cash flow exposures to foreign currency fluctuation. We do not use derivative financial instruments for speculative or profit-generating purposes. We track the fair value (mark to market) of our derivative financial instruments and its possible changes using the Value at Risk methodology, as well as by generating scenario analyses.

### Interest Rate Risk

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. At December 31, 2011, we had total indebtedness of Ps. 22,574 million, of which 47% bore interest at fixed interest rates and 53% bore interest at variable interest rates. After giving effect to our swap and forward contracts, as of December 31, 2011, 65% of our debt was fixed-rate and 35% of our debt was variable-rate, calculated by weighting each year's outstanding debt balance mix. The interest rate on our variable rate debt denominated in U.S. dollars is generally determined by reference to the London Interbank Offer Rate, or LIBOR, and the interest rate on our variable rate debt denominated in Mexican pesos is generally determined by reference to the *Tasa de Interés Interbancaria de Equilibrio* (the Equilibrium Interbank Interest Rate), or TIIE. If these reference rates increase, our interest payments would consequently increase.

The table below provides information about our financial instruments that are sensitive to changes in interest rates, without giving effect to interest rate swaps. The table presents weighted average interest rates by expected contractual maturity dates. Weighted average variable rates are based on the reference rates on December 30, 2011, plus spreads, contracted by us. The instruments' actual payments are denominated in U.S. dollars, Mexican pesos, Brazilian reais, Colombian pesos and Argentine pesos. All of the payments in the table are presented in Mexican pesos, our reporting currency, assuming the foreign exchange of Ps. 13.98 Mexican pesos per U.S. dollar reported by Banco de México quoted to us by dealers for the settlement of obligations in foreign currencies on December 30, 2011

The table below also includes the fair value of long-term debt based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for debt with similar terms and remaining maturities. Furthermore, the fair value of long-term notes payable is based on quoted market prices on December 31, 2011. As of December 31, 2011, the fair value represents a loss amount of Ps.716 million.

**Principal by Year of Maturity**
**(millions of Mexican pesos)**

| | At December 31, 2011 | | | | | | | | At Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 and thereafter | Total Carrying Value | Total Fair Value | Total Carrying Value |
| **Long-Term Debt and Notes:** | | | | | | | | | |
| Fixed Rate Debt and Notes | | | | | | | | | |
| U. S. dollars | - | - | - | - | - | 6,990 | 6,990 | 7,737 | 6,183 |
| *Interest Rate*[1] | - | - | - | - | - | 4.6% | 4.6% | | 4.6% |
| Mexican pesos | - | - | - | - | - | 2,500 | 2,500 | 2,631 | - |
| *Interest Rate*[1] | - | - | - | - | - | 8.3% | 8.3% | | - |
| Brazilian reais | 9 | 15 | 15 | 14 | 10 | 36 | 99 | 87 | 102 |
| *Interest Rate*[1] | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | | 4.5% |
| Argentine pesos | 514 | 81 | - | - | - | - | 595 | 570 | 684 |
| *Interest Rate*[1] | 16.4% | 15.7% | - | - | - | - | 18.5% | | 16.5% |
| Total Fixed Rate | 523 | 96 | 15 | 14 | 10 | 9,526 | 10,184 | 11,026 | 6,969 |
| Variable Rate Debt | | | | | | | | | |
| U.S. dollars | 42 | 209 | - | - | - | - | 251 | 250 | 222 |
| *Interest Rate*[1] | 0.7% | 0.7% | - | - | - | - | 0.7% | | 0.6% |
| Mexican pesos | 67 | 266 | 1,392 | 2,825 | - | - | 4,550 | 4,456 | 7,550 |
| *Interest Rate*[1] | 5.0% | 5.0% | 5.0% | 5.0% | - | - | 5.0% | | 5.0% |
| *Notes (Certificados Bursátiles)* | 3,000 | - | - | - | 2,500 | - | 5,500 | 5,499 | - |
| *Interest Rate*[1] | 4.7% | - | - | - | 4.9% | - | 4.8% | | - |
| Brazilian reais | - | - | - | - | - | - | - | | - |
| *Interest Rate*[1] | - | - | - | - | - | - | - | | - |
| Colombian pesos | 1,140 | 181 | - | - | - | - | 1,321 | 1,312 | 994 |
| *Interest Rate*[1] | 6.2% | 6.6% | - | - | - | - | 6.3% | | 4.7% |
| Argentine pesos | 130 | - | - | - | - | - | 130 | 116 | - |
| *Interest Rate*[1] | 27.3% | - | - | - | - | - | 27.3% | | - |
| Total Variable Rate | 4,379 | 656 | 1,392 | 2,825 | 2,500 | - | 11,752 | 11,633 | 8,767 |
| Long Term Debt | 4,902 | 752 | 1,407 | 2,839 | 2,510 | 9,526 | 21,936 | 22,659 | 15,736 |
| Current portion of long term debt | 4,902 | - | - | - | - | - | 4,902 | 4,951 | 225 |
| Total Long-Term debt | - | 752 | 1,407 | 2,839 | 2,510 | 9,526 | 17,034 | 17,708 | 15,511 |
| **Derivative Instruments:** | | | | | | | | | |
| Interest Rate Swaps | | | | | | | | | |
| Mexican pesos | | | | | | | | | |
| Variable to fixed[3] | 1,600 | 1,312 | 575 | 1,963 | - | - | 5,450 | (282) | 5,450 |
| Interest pay rate | 8.06% | 8.48% | 8.43% | 8.63% | - | - | 8.41% | - | 8.41% |
| Interest receive rate | 4.74% | | 5.04% | 5.02% | - | - | 4.91% / | - | 4.95% / |
| | | 28dTIIE | | | - | - | 28dTIIE | - | 28dTIIE |
| | | +0.22%[2] | | | - | - | +0.22%[2] | - | +0.14%[2] |

(1) Calculated by a weighted average annual rate.
(2) Forward starting swaps in which the receive rate is not known, until the start of the validity period.
(3) Notional amount.

A hypothetical, instantaneous and unfavorable change of 100 basis points in the average interest rate applicable to our floating-rate financial instruments held during 2011 would have increased our interest expense by approximately Ps. 92 million, or 7.7% over our interest expense of 2011, assuming no additional debt is incurred during such period, in each case after giving effect to all of our interest rate swap and cross-currency swap agreements.

**Foreign Currency Exchange Rate Risk**

Our principal exchange rate risk involves changes in the value of the local currencies of each country in which we operate, relative to the U.S. dollar. In 2011, the percentage of our consolidated total revenues was denominated as follows:

**Total Revenues by Currency**
**At December 31, 2011**

| **Currency** | **%** |
|---|---|
| Mexican peso | 35.7% |
| Colombian peso | 9.6% |
| Venezuelan bolivar | 16.1% |
| Argentine peso | 7.5% |
| Brazilian real | 25.0% |
| Other (Central America) | 6.1% |

We estimate that approximately 19.7% of our consolidated costs of goods sold are denominated in U.S. dollars for Mexican subsidiaries and in the aforementioned currencies for our non-Mexican subsidiaries. Substantially all of our costs denominated in a foreign currency, other than the functional currency of each country in which we operate, are denominated in U.S. dollars. During 2011, we entered into forward derivative instruments to hedge part of our Mexican peso fluctuation risk relative to our raw material costs denominated in U.S. dollars. These instruments are considered hedges for accounting purposes. As of December 31, 2011, 34.0% of our indebtedness was denominated in U.S. dollars, 53.8% in Mexican pesos and the remaining 12.2% in Brazilian reais, Colombian pesos and Argentine pesos (including the effect of derivative contracts held by us as of December 31, 2011, including cross currency swaps from Mexican pesos to U.S. dollars). Decreases in the value of the different currencies relative to the U.S. dollar will increase the cost of our foreign currency-denominated operating costs and expenses and of the debt service obligations with respect to our foreign currency-denominated debt. A depreciation of the Mexican peso relative to the U.S. dollar will also result in foreign exchange losses, as the Mexican peso value of our foreign currency denominated-indebtedness is increased. **See also "Item 3. Key Information—Risk Factors—Depreciation of the Mexican peso relative to the U.S. dollar could adversely affect our financial condition and results from operations."**

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the Mexican peso relative to the U.S. dollar occurring on December 31, 2011, would have resulted in an increase in our net consolidated comprehensive financing result expense of approximately Ps. 48.8 million, reflecting higher interest expense and foreign exchange gain generated by the cash balances held in U.S. dollars as of that date, net of the loss based on our U.S. dollar-denominated indebtedness at December 31, 2011. However, this result does not take into account any gain on monetary position that would be expected to result from an increase in the inflation rate generated by a devaluation of the Mexican peso relative to the U.S. dollar, which gain on monetary position would reduce the consolidated net comprehensive financing result, after giving effect to all of our interest rate swap and cross-currency swap agreements.

As of April 20, 2012, the exchange rates relative to the U.S. dollar of all the countries in which we operate have appreciated or depreciated compared to December 31, 2011 as follows:

| | **Exchange Rate As of April 20, 2012** | **(Depreciation) or Appreciation** |
|---|---|---|
| Mexico | 13.12 | 6.16% |
| Guatemala | 7.78 | 0.41% |

| | Exchange Rate As of April 20, 2012 | (Depreciation) or Appreciation |
|---|---|---|
| Nicaragua | 23.32 | (1.49)% |
| Costa Rica | 509.03 | 1.79% |
| Panama | 1.00 | 0.00% |
| Colombia | 1,776.06 | 8.58% |
| Venezuela | 4.30 | 0.00% |
| Brazil | 1.88 | (0.15)% |
| Argentina | 4.41 | (2.37)% |

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the currencies of each of the countries in which we operate relative to the U.S. dollar at December 31, 2011, would produce a reduction in shareholders' equity of approximately the following amounts:

| | Reduction in Shareholders' Equity |
|---|---|
| | (millions of Mexican pesos) |
| Mexico | Ps. 586 |
| Colombia | 979 |
| Venezuela | 733 |
| Brazil | 1,791 |
| Argentina | 122 |
| Other (Central America) | 793 |

**Equity Risk**

As of December 31, 2011 we did not have any equity risk derivatives.

**Commodity Price Risk**

During 2011, we entered into futures contracts to hedge the cost of sugar in Brazil and Colombia with a notional value of Ps. 754 million, maturing in 2012 and 2013. The result of these commodity price contracts was a fair market value gain of Ps. 19 million as of December 31, 2011.

### Item 12. Description of Securities Other than Equity Securities

### Item 12.A. Debt Securities

Not applicable.

### Item 12.B. Warrants and Rights

Not applicable.

### Item 12.C. Other Securities

Not applicable.

### Item 12.D. American Depositary Shares

The Bank of New York Mellon serves as the depositary for our ADSs. Holders of our ADSs, evidenced by American Depositary Receipts, or ADRs, are required to pay various fees to the depositary, and the depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADS holders are required to pay the depositary amounts in respect of expenses incurred by the depositary or its agents on behalf of ADS holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, cable, telex and facsimile transmission, or conversion of foreign currency into U.S. dollars. The depositary may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

ADS holders are also required to pay additional fees for certain services provided by the depositary, as set forth in the table below.

| Depositary service | Fee payable by ADS holders |
|---|---|
| Issuance and delivery of ADRs, including in connection with share distributions | Up to US$ 5.00 per 100 ADSs (or portion thereof) |
| Withdrawal of shares underlying ADSs | Up to US$ 5.00 per 100 ADSs (or portion thereof) |
| Registration for the transfer of shares | Registration or transfer fees that may from time to time be in effect |

In addition, holders may be required to pay a fee for the distribution or sale of securities. Such fee (which may be deducted from such proceeds) would be for an amount equal to the lesser of (1) the fee for the issuance of ADSs that would be charged as if the securities were treated as deposited shares and (2) the amount of such proceeds.

**Direct and indirect payments by the depositary**

The depositary reimburses us for certain expenses we incur in connection with the ADS program, subject to a ceiling agreed between us and the depositary. These reimbursable expenses include listing fees and fees payable to service providers for the distribution of material to ADR holders. For the year ended December 31, 2011, this amount was approximately US$ 108,000.

### Items 13-14. Not Applicable

### Item 15. Controls and Procedures

#### (a) Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2011. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) **Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a–15(f) and 15d–15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Tread way Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions or our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts an expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the framework in Internal Controls – Integrated framework issued by the Committee of Sponsoring Organizations of the Tread way Commission, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

Our management assessment and conclusion on the effectiveness of internal control over financial reporting as of December 31, 2011 excludes, in accordance with applicable guidance provided by the SEC, an assessment of the internal control over financial reporting of Grupo Tampico and Grupo CIMSA, which we acquired in October and December 2011, respectively. Grupo Tampico and Grupo CIMSA represented 4.3% and 5.2% of our total and net assets, respectively, as of December 31, 2011, and 1.2% and 0.5% of our revenues and net income, respectively for the year ended December 31, 2011. No material changes in our internal control over financial reporting were identified as a result of these mergers.

(c) **Attestation Report of the Registered Public Accounting Firm**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
Coca-Cola FEMSA, S.A.B. DE C.V.:

We have audited Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Tread way Commission (the COSO criteria). Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20F. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20F, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Administradora de Acciones del Noroeste, S.A. de C.V. and its subsidiaries (collectively "Grupo Tampico") and Corporación de los Angeles, S.A. de C.V. and its subsidiaries (collectively "Grupo CIMSA"), both subsidiaries in Mexico, acquired in October and December 2011, respectively, which are included in the 2011 consolidated financial statements of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries, and constituted 4.3% and 5.2% of total and net assets, respectively, as of December 31, 2011 and 1.2% and 0.5% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries, also did not include an evaluation of the internal control over financial reporting of Grupo Tampico and Grupo CIMSA.

In our opinion, Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011 and our report dated April 25, 2012 expressed an unqualified opinion thereon.

Mancera, S.C.
A member practice of
Ernst & Young Global

*/s/ Oscar Aguirre Hernandez*
Oscar Aguirre Hernandez
Mexico City, Mexico

April 25, 2012

(d) **Changes in Internal Control Over Financial Reporting.**

There has been no change in our internal control over financial reporting during 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting..

### Item 16A. Audit Committee Financial Expert

Our shareholders and our board of directors have designated José Manuel Canal Hernando, an independent director as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards, as an "audit committee financial expert" within the meaning of this Item 16A. **See "Item 6. Directors, Senior Management and Employees—Directors."**

### Item 16B. Code of Ethics

We have adopted a code of ethics, within the meaning of this Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our chief executive officer, chief financial officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.coca-colafemsa.com. If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address. In accordance with our code of ethics, we have developed a voice mailbox available to our employees to which complaints may be reported.

### Item 16C. Principal Accountant Fees and Services

**Audit and Non-Audit Fees**

The following table summarizes the aggregate fees billed to us by Mancera, S.C. and other Ernst & Young practices (collectively, Ernst and Young) during the fiscal years ended December 31, 2011 and December 31, 2010:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | (millions of Mexican pesos) | | | |
| Audit fees | Ps. | 53 | Ps. | 41 |
| Audit-related fees | | 4 | | 3 |
| Tax fees | | 5 | | 1 |
| Other fees | | 0 | | — |
| Total fees | Ps. | 62 | Ps. | 45 |

***Audit Fees***. Audit fees in the above table are the aggregate fees billed by Ernst & Young in connection with the audit of our annual financial statements, the review of our quarterly financial statements, and statutory and regulatory audits.

***Audit-related Fees***. Audit-related fees in the above table are the aggregate fees billed by Ernst & Young for assurance and other services related to the performance of the audit, mainly in connection with special audits and reviews.

***Tax Fees***. Tax fees in the above table are fees billed by Ernst & Young for services based upon existing facts and prior transactions in order to assist us in documenting, computing and obtaining government approval for amounts included in tax filings such as value-added tax return assistance, transfer pricing documentation and requests for technical advice from taxing authorities.

***Other fees.*** Other fees in the above table are consulting related fees. For the years ended December 31, 2011 and 2010, there were no other fees.

### Audit Committee Pre-Approval Policies and Procedures

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the Audit Committee as set forth in the Audit Committee's charter. Any service proposals submitted by external auditors need to be discussed and approved by the Audit Committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our Audit Committee. In addition, the members of our Audit Committee are briefed on matters discussed by the different committees of our board of directors.

## Item 16D. Not Applicable

## Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not directly purchase any of our equity securities in 2011. The following table presents purchases by trusts that FEMSA administers in connection with our bonus incentive plans, which purchases may be deemed to be purchases by an affiliated purchaser of us. **See "Item 6. Directors, Senior Management and Employees—EVA-Based Bonus Program."**

**Purchases of Equity Securities**

| Period | Total Number of Series L shares Purchased by trusts that FEMSA administers in connection with our bonus incentive plans | Average Price Paid per Series L Share | Total Number of Shares Purchased as part of Publicly Announced Plans or Programs | Maximum Number (or Appropriate U.S. Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| Jan. 5– Mar. 19 | 993,500 | Ps. 76.15 | — | — |
| Total | 993,500 | Ps. 76.15 | — | — |

## Item 16F. Not Applicable

## Item 16G. Corporate Governance

Pursuant to Rule 303A.11 of the Listed Company Manual of the New York Stock Exchange (NYSE), we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Mexican corporation with shares listed on the Mexican Stock Exchange. Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also disclose the extent to which we comply with the *Código de Mejores Prácticas Corporativas* (Mexican Code of Best Corporate Practices), which was created by a group of Mexican business leaders and was endorsed by the BMV.

The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

| **NYSE Standards** | **Our Corporate Governance Practices** |
|---|---|
| **Directors Independence:** A majority of the board of directors must be independent. There is an exemption for "controlled companies" (companies in which more than 50% of the voting power is held by an individual, group or another company rather than the public), which would include our company if we were a U.S. issuer. | **Directors Independence:** Pursuant to the Mexican Securities Market Law, we are required to have a board of directors with a maximum of 21 members, 25% of whom must be independent.<br><br>The Mexican Securities Market Law sets forth, in article 26, the definition of "independence," which differs from the one set forth in Section 303A.02 of the Listed Company Manual of the NYSE. Generally, under the Mexican Securities Market Law, a director is not independent if such director: (i) is an employee or a relevant officer of the company or its subsidiaries; (ii) is an individual with significant influence over the company or its subsidiaries; (iii) is a shareholder or participant of the controlling group of the company; (iv) is a client, supplier, debtor, creditor, partner or employee of an important client, supplier, debtor or creditor of the company; or (v) is a family member of any of the aforementioned persons.<br><br>In accordance with the Mexican Securities Market Law, our shareholders are required to make a determination as to the independence of our directors at an ordinary meeting of our shareholders, though the CNBV may challenge that determination. Our board of directors is not required to make a determination as to the independence of our directors. |
| **Executive sessions:** Non-management directors must meet at regularly scheduled executive sessions without management. | **Executive sessions:** Under our bylaws and applicable Mexican law, our non-management and independent directors are not required to meet in executive sessions.<br><br>Our bylaws state that the board of directors will meet at least four times a year, following the end of each quarter, to discuss our operating results and progress in achieving strategic objectives. Our board of directors can also hold extraordinary meetings. |
| **Nominating/Corporate Governance Committee:** A nominating/corporate governance committee composed entirely of independent directors is required. As a "controlled company," we would be exempt from this requirement if we were a U.S. issuer. | **Nominating/Corporate Governance Committee:** We are not required to have a nominating committee, and the Mexican Code of Best Corporate Practices does not provide for a nominating committee.<br><br>However, Mexican law requires us to have a Corporate Practices Committee. Our Corporate Practices Committee is composed of three members, and as required by the Mexican Securities Market Law and our bylaws, the three members are independent. |
| **Compensation committee:** A compensation committee composed entirely of independent directors is required. As a "controlled company," we would be exempt from this requirement if we were a U.S. issuer. | **Compensation committee:** We do not have a committee that exclusively oversees compensation issues. Our Corporate Practices Committee, composed entirely of independent directors, reviews and recommends management compensation programs in order to ensure that they are aligned with shareholders' interests and corporate performance. |

| NYSE Standards | Our Corporate Governance Practices |
| --- | --- |
| **Audit committee:** Listed companies must have an audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the NYSE independence standards. | **Audit committee:** We have an Audit Committee of five members. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Market Law. |
| **Equity compensation plan:** Equity compensation plans require shareholder approval, subject to limited exemptions. | **Equity compensation plan:** Shareholder approval is not required under Mexican law or our bylaws for the adoption and amendment of an equity compensation plan. Such plans should provide for general application to all executives. |
| **Code of business conduct and ethics:** Corporate governance guidelines and a code of conduct and ethics are required, with disclosure of any waiver for directors or executive officers. | **Code of business conduct and ethics:** We have adopted a code of ethics, within the meaning of Item 16B of SEC Form 20-F. Our code of ethics applies to our chief executive officer, chief financial officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.coca-colafemsa.com. If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address. |

**Item 16H. Not Applicable**

**Item 17. Not Applicable**

**Item 18. Financial Statements**

Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

**Item 19. Exhibits**

(a) List of Financial Statements



- All supplementary schedules relating to the registrant are omitted because they are not required or because the required information, where material, is contained in the Financial Statements or Notes thereto.

(b) List of Exhibits

| Exhibit No: | Description |
|---|---|
| Exhibit 1.1 | Amended and restated bylaws (*Estatutos Sociales*) of Coca-Cola FEMSA, S.A.B. de C.V., approved February 16, 2012 (English translation). |
| Exhibit 2.1 | Deposit Agreement, dated as of September 1, 1993, among Coca-Cola FEMSA, the Bank of New York, as Depositary, and Holders and Beneficial Owners of American Depository Receipts (incorporated by reference to Exhibit 3.5 to the Registration Statement of FEMSA on Form F-4 filed on April 9, 1998 (File No. 333-8618)). |
| Exhibit 2.2 | Indenture dated as of February 5, 2010 among Coca-Cola FEMSA, S.A.B. de C.V., and The Bank of New York Mellon (incorporated by reference to Exhibit 2.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)). |
| Exhibit 2.3 | First Supplemental Indenture dated as of February 5, 2010 among Coca-Cola FEMSA, S.A.B. de C.V., and The Bank of New York Mellon and the Bank of New York Mellon (Luxembourg) S.A. (incorporated by reference to Exhibit 2.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)). |
| Exhibit 2.4 | Second Supplemental Indenture dated as of April 1, 2011 among Coca-Cola FEMSA, S.A.B. de C.V., Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V., as Guarantor, and The Bank of New York Mellon (incorporated by reference to Exhibit 2.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 17, 2011 (File No. 1-12260)). |
| Exhibit 4.1 | Amended and Restated Shareholders Agreement dated as of July 6, 2002, by and among CIBSA, Emprex, The Coca-Cola Company and Inmex, (incorporated by reference to Exhibit 4.13 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)). |

| Exhibit No: | Description |
|---|---|
| Exhibit 4.2 | Amendment, dated May 6, 2003, to the Amended and Restated Shareholders Agreement, dated as of July 6, 2002, among CIBSA, Emprex, The Coca-Cola Company, Inmex, Atlantic Industries, Dulux CBAI 2003 B.V. and Dulux CBEXINMX 2003 B.V. (incorporated by reference to Exhibit 4.14 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)). |
| Exhibit 4.3 | Second Amendment, dated as of February 1, 2010, to the to the Amended and Restated Shareholders Agreement, dated as of July 6, 2002, by and among CIBSA, Emprex, The Coca-Cola Company, Inmex and Dulux CBAI 2003 B.V. (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)). |
| Exhibit 4.4 | Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the valley of Mexico (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)). |
| Exhibit 4.5 | Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the valley of Mexico (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)). |
| Exhibit 4.6 | Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (incorporated by reference to Exhibit 4.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)). |
| Exhibit 4.7 | Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)). |
| Exhibit 4.8 | Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Golfo, S.A. de C.V. and The Coca–Cola Company with respect to operations in Golfo, Mexico (English translation) (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)). |
| Exhibit 4.9 | Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Bajio, S.A. de C.V., and The Coca-Cola Company with respect to operations in Bajio, Mexico (English translation) (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)). |
| Exhibit 4.10 | Bottler Agreement, dated August 22, 1994, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)). |
| Exhibit 4.11 | Supplemental Agreement, dated August 22, 1994, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)). |
| Exhibit 4.12 | Amendments, dated May 17 and July 20, 1995, to Bottler Agreement and Letter of Agreement, dated August 22, 1994, each with respect to operations in Argentina, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to |

| Exhibit No: | Description |
|---|---|
| | Exhibit 10.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)). |
| Exhibit 4.13 | Bottler Agreement, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)). |
| Exhibit 4.14 | Supplemental Agreement, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.6 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)). |
| Exhibit 4.15 | Amendment, dated February 1, 1996, to Bottler Agreement between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA, dated December 1, 1995 (with English translation) (incorporated by reference to Exhibit 10.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)). |
| Exhibit 4.16 | Amendment, dated May 22, 1998, to Bottler Agreement with respect to the former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 4.12 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)). |
| Exhibit 4.17 | Coca-Cola Tradename License Agreement dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.40 to FEMSA's Registration Statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)). |
| Exhibit 4.18 | Amendment to the Trademark License Agreement, dated December 1, 2002, entered by and among Administración de Marcas S.A. de C.V., as proprietor, and The Coca-Cola Export Corporation Mexico branch, as licensee (incorporated by reference to Exhibit 10.3 of Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)). |
| Exhibit 4.19 | Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Golfo S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Exhibit 10.6 of Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)). |
| Exhibit 4.20 | Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Bajio S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Exhibit 10.7 of Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)). |
| Exhibit 4.21 | Supply Agreement dated June 21, 1993, between Coca-Cola FEMSA and FEMSA Empaques, (incorporated by reference to Exhibit 10.7 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)). |
| Exhibit 4.22 | Supply Agreement dated April 3, 1998, between ALPLA Fábrica de Plásticos, S.A. de C.V. and Industria Embotelladora de México, S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 4.18 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on July 1, 2002 (File No. 1-12260)).* |

| Exhibit No: | Description |
|---|---|
| Exhibit 4.23 | Services Agreement, dated November 7, 2000, between Coca-Cola FEMSA and FEMSA Logística (with English translation) (incorporated by reference to Exhibit 4.15 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)). |
| Exhibit 4.24 | Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Bajio S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 10.8 of Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)). |
| Exhibit 4.25 | Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Golfo S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 10.9 of Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)). |
| Exhibit 4.26 | Memorandum of Understanding, dated as of March 11, 2003, by and among Panamco, as seller, and The Coca-Cola Company, as buyer (incorporated by reference to Exhibit 10.14 of Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)). |
| Exhibit 7.1 | The Coca-Cola Company memorandum, to Steve Heyer from José Antonio Fernández, dated December 22, 2002 (incorporated by reference to Exhibit 10.1 to FEMSA's Registration Statement on Amendment No. 1 to the Form F-3 filed on September 20, 2004 (File No. 333-117795)). |
| Exhibit 8.1 | Significant Subsidiaries. |
| Exhibit 12.1 | CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 25, 2012 |
| Exhibit 12.2 | CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 25, 2012. |
| Exhibit 13.1 | Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April 25, 2012. |

- Portions of Exhibit 4.22 were omitted pursuant to a request for confidential treatment. Such omitted portions were filed separately with the Securities and Exchange Commission.

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to long-term debt of Coca-Cola FEMSA, none of which authorizes securities in a total amount that exceeds 10% of the total assets of Coca-Cola FEMSA. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements as the SEC requests.

## SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

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

By: /s/ Héctor Treviño Gutiérrez
Héctor Treviño Gutiérrez
Chief Financial Officer

Date: April 25, 2012

**Exhibit 8.1**

## SIGNIFICANT SUBSIDIARIES

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2011:

| Name of Company | Jurisdiction of Incorporation | Percentage Owned | Description |
|---|---|---|---|
| Propimex, S. de R.L. de C.V.[1] .............................. | Mexico | 100.0% | Manufacturer of bottles and distributor of bottled beverages. |
| Controladora Interamericana de Bebidas, S.A. de C.V..... | Mexico | 100.0% | Holding company of manufacturers and distributors of beverages. |
| Spal Industria Brasileira de Bebidas, S.A. ............ | Brazil | 97.9% | Manufacturer of cans and related products for bottling beverages and distributor of bottled beverages. |
| Coca-Cola FEMSA de Venezuela S.A. (formerly, Panamco Venezuela, S.A. de C.V.)............................. | Venezuela | 100.0% | Manufacturer of bottles and related products for bottling beverages and distributor of bottled beverages. |

(1) On March 2, 2012, Propimex, S.A. de C.V. was converted into Propimex, S. de R.L. de C.V.

**Exhibit 12.1**

**Certification**

I, Carlos Salazar Lomelín, certify that:

1. I have reviewed this annual report on Form 20-F of Coca-Cola FEMSA, S.A.B de C.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results from operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   © Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2012

/s/ Carlos Salazar Lomelín
Carlos Salazar Lomelín
Chief Executive Officer

**Exhibit 12.2**

## Certification

I, Héctor Treviño Gutiérrez, certify that:

1. I have reviewed this annual report on Form 20-F of Coca-Cola FEMSA, S.A.B. de C.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results from operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   © Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2012

/s/ Héctor Treviño Gutiérrez

Héctor Treviño Gutiérrez
Chief Financial Officer

**Exhibit 13.1**

**Certification**
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Coca-Cola FEMSA, S.A.B d e C.V. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2011 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results from operations of the Company.

| | |
|---|---|
| Date: April 25, 2012 | /s/ Carlos Salazar Lomelín |
| | Carlos Salazar Lomelín<br>Chief Executive Officer |
| Date: April 25, 2012 | /s/ Héctor Treviño Gutiérrez |
| | Héctor Treviño Gutiérrez<br>Chief Financial Officer |