COCA COLA FEMSA SAB DE CV
Form 424B3
August 06, 2010

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Registration No. 333-168109

PROSPECTUS

Offer to Exchange
the following series of notes:
US$ 500,000,000 4.625% Senior Notes Due 2020
of
Coca-Cola FEMSA, S.A.B. de C.V.

Material Terms of the Exchange Offer

- We are offering to exchange, commencing on August 6, 2010, the 4.625% Senior Notes Due 2020 we sold previously in private offerings in the United States (the original notes) (CUSIP Numbers Restricted Global Notes: 191241AC2; Regulation S Global Notes: P2861YAH5) for new registered exchange notes due 2020 (the exchange notes).

- The terms of the exchange notes are identical to the terms of the original notes, except for the transfer restrictions and registration rights relating to the original notes.

- We will exchange all original notes that are validly tendered and not validly withdrawn.

- The exchange offer will expire at 5:00 p.m., New York City time, on September 9, 2010 unless we extend it.

- You may withdraw tenders of original notes at any time before 5:00 p.m., New York City time, on the date of the expiration of the exchange offer.

- We will not receive any proceeds from the exchange offer.

- We will pay the expenses of the exchange offer.

- No dealer-manager is being used in connection with the exchange offer.

- The exchange of notes will not be a taxable exchange for U.S. federal income tax purposes.

See Risk Factors beginning on page 12 of this prospectus for a discussion of certain factors that you should consider before participating in the exchange offer.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

THIS PROSPECTUS IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*, OR CNBV). THE TERMS AND CONDITIONS OF THIS OFFER TO EXCHANGE WILL BE NOTIFIED TO THE CNBV FOR INFORMATION PURPOSES ONLY AND SUCH NOTICE DOES NOT CONSTITUTE A CERTIFICATION AS TO THE INVESTMENT VALUE OF THE EXCHANGE NOTES OR OUR SOLVENCY. THE EXCHANGE NOTES MAY NOT BE OFFERED OR SOLD IN MEXICO, ABSENT AN AVAILABLE EXEMPTION UNDER THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*). IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN CITIZEN WHO MAY ACQUIRE EXCHANGE NOTES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF US.

The date of this prospectus is August 6, 2010

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ABOUT THIS PROSPECTUS

Application has been made to admit the exchange notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF market. However, even if admission to listing is obtained, we will not be required to maintain it. The original notes are currently admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.

You should rely only on the information contained or incorporated in this prospectus. No person has been authorized to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not making an offer to exchange the exchange notes for original notes in any jurisdiction where the offer is not permitted, and will not accept surrenders for exchange from holders in any such jurisdiction.

You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

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

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and certain later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

- our annual report on Form 20-F for the year ended December 31, 2009, filed with the SEC on June 10, 2010 (SEC File No. 001-12260), which we refer to as the 2009 Form 20-F ;

- our report related to our unaudited results for the three and six months ended June 30, 2010, furnished to the SEC on Form 6-K on August 4, 2010;

- our report relating to our unaudited results for the three months ended March 31, 2010, furnished to the SEC on Form 6-K on July 15, 2010;

- any future annual reports on Form 20-F filed with the SEC after the date of this prospectus and prior to the termination of the exchange offer; and

- any future reports on Form 6-K that we furnish to the SEC after the date of this prospectus and prior to the termination of the exchange offer that are identified in such reports as being incorporated by reference in this prospectus.

Any statement contained in any of the foregoing documents shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of any and all of the information that has been incorporated by reference in this prospectus and that has not been delivered with this prospectus, at no cost, by writing or telephoning us at Guillermo González Camarena No. 600, Centro de Ciudad Santa Fé, 01210 México, D.F., México, Attention: Investor Relations, telephone (5255) 5081-5120 or the information agent at the address or telephone number set forth under the caption The Exchange Offer Information Agent. **To obtain timely delivery, investors must request this information no later than five business days before the date they must make their investment decision and in no case later than five business days before the expiration date of the exchange offer.**

Copies of these documents will also be made available free of charge by contacting The Bank of New York Mellon (Luxembourg) S.A., our Luxembourg listing agent, at its office at Vertigo Building Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg, as long as any of the exchange notes are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, and the rules of such stock exchange so require.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a registration statement for the exchange notes, including exhibits, that we have filed with the Securities and Exchange Commission, or the SEC, on Form F-4 under the Securities Act of 1933, as amended, or the Securities Act. This prospectus does not contain all of the information set forth in the registration statement. Statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete. We have filed certain of these documents as exhibits to our registration statement and we refer you to those documents. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit.

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. As a foreign private issuer, we and our shareholders are exempt from some of the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, including the proxy solicitation rules, the rules regarding the furnishing of annual reports and Section 16 short-swing profit reporting for our officers and directors and for holders of more than 10% of our shares. You may read and copy any materials filed with the SEC at its Public Reference Room at 100 F

Street, N.E. Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC s web site at *www.sec.gov* and at our website at *www.coca-colafemsa.com.* We are not, however, incorporating by reference in this prospectus any other reports, information or materials filed with the SEC or any other material from our website or any other source, except as specifically stated in this prospectus. The reference above to our website is an inactive textual reference to the uniform resource locator (URL) and is for your reference only.

We have agreed that with respect to the exchange and original notes, if, in the future, we are not required to file information, documents or other reports pursuant to Section 13 or 15(d) of the Exchange Act, we will furnish to the trustee copies of the audited annual financial statements within 120 days after the end of our fiscal year and copies of the unaudited quarterly financial statements within 60 days of the end of each of the first three fiscal quarters of each year.

ELECTRONIC Delivery of Documents

We are delivering copies of this prospectus and other documents related to the exchange offer in electronic form through the facilities of The Depository Trust Company (DTC). You may obtain paper copies of the prospectus and such other documents by contacting the information agent or the Luxembourg listing agent at their respective addresses specified on the inside back cover of this prospectus. By participating in the exchange offer, you will (unless you have requested paper delivery of documents) be consenting to electronic delivery of these documents.

ENFORCEABILITY OF CIVIL LIABILITIES

Coca-Cola FEMSA, S.A.B. de C.V. is a *sociedad anónima bursátil de capital variable* (publicly listed variable capital stock corporation) organized under the laws of Mexico. In addition, 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.

FORWARD-LOOKING STATEMENTS

This prospectus 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, without limitation, 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.

PRESENTATION OF FINANCIAL INFORMATION

Our 2009 Form 20-F, which is incorporated by reference in this prospectus, contains our audited consolidated balance sheets as of December 31, 2009 and 2008 and the related consolidated statements of income and changes in shareholders equity for the years ended December 31, 2009, 2008 and 2007, the consolidated statements of cash flows for the years ended December 31, 2009 and 2008 and consolidated statement of changes in financial position for the year ended December 31, 2007.

Our consolidated financial statements and other financial information are prepared in accordance with Mexican Financial Reporting Standards, which we sometimes refer to as Mexican FRS. Mexican FRS differ 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 included in our 2009 Form 20-F, incorporated by reference in this prospectus, provide a description of the principal differences between Mexican FRS, and U.S. GAAP as they relate to us, together with reconciliation to U.S. GAAP of net income and shareholders equity.

The incorporation by reference of our 2009 Form 20-F in this prospectus should not be understood to mean that any statements contained in our 2009 Form 20-F are true or complete as of any date subsequent to June 10, 2010. For developments subsequent to June 10, 2010, you should rely exclusively on the information contained in this prospectus.

Through December 31, 2007, Mexican FRS required us to recognize effects of inflation in our financial statements and reexpress 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 FRS. Under this rule, the previous inflation accounting rules requiring us to reexpress 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 FRS. 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 applying inflationary accounting.

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

Pursuant to Mexican FRS, the financial information for the years ended December 31, 2009 and 2008 presented in this prospectus and our audited consolidated financial statements included in our 2009 Form 20-F, have been presented 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 included in our 2009 Form 20-F 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 2009 and 2008 are stated in nominal Mexican pesos and figures for 2007 are stated in constant Mexican pesos as of the end of 2007.

- 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 2008 and 2009 result in a difference to be reconciled for U.S. GAAP purposes. For the year ended December 31, 2007, the effects of inflation accounting under Mexican FRS have not been reversed in the reconciliation to U.S. GAAP of net income and shareholders equity. See notes 26 and 27 to our consolidated financial statements included in our 2009 Form 20-F.

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 FRS and reported in Mexican pesos under these standards.

This prospectus contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 13.0576 to US$ 1.00, the exchange rate for Mexican pesos on December 31, 2009, according to the U.S. Federal Reserve Board. On July 30, 2010, this exchange rate was Ps. 12.6421 to US$ 1.00.

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

PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus and the documents incorporated by reference and does not contain all of the information that may be important to you. You should carefully read this entire prospectus and the documents incorporated by reference, including the risk factors and financial statements.

Our Business

We are the largest bottler of *Coca-Cola* trademark beverages in Latin America, and the second largest in the world, calculated in each case by sales volume in 2009. Based on sales volume, we represent approximately 10% of The Coca-Cola Company s worldwide volume and approximately 35% of its volume in Latin America. We are the largest *Coca-Cola* bottler in Mexico, representing approximately 40% of sales of *Coca-Cola* trademark beverages in the country.

Over the past five years, our business portfolio has changed significantly from a Mexican-centric approach to a company with operations in nine countries across Latin America. We have built a strong, balanced, multinational company, and in the process we have evolved from being a volume-driven organization to a revenue-growth focused company, supported by the business model we share with our partner, The Coca-Cola Company, and our advanced revenue-management and multi-segmentation strategies.

Our company has a large geographic footprint in Latin America. While our corporate headquarters are in Mexico City, we have established divisional headquarters in the following three regions:

- Mexico headquarters in Mexico City, covering a substantial portion of central Mexico (including Mexico City and the states of Michoacán, and Guanajuato) and southeast Mexico (including the states of Veracruz, Puebla, Oaxaca, Tabasco and Chiapas). Mexico accounted for 50.5% and 35.8% of volume and revenues, respectively, in 2009.

- Latincentro headquarters in San José, Costa Rica, covering territories in Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide), Panama (nationwide), Colombia (most of the country) and Venezuela (nationwide). Our Latincentro division accounted for 24.4% and 37.4% of volume and revenues, respectively, in 2009.

- Mercosur headquarters in São Paulo, Brazil, covering territories in 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) and Argentina (Buenos Aires and surrounding areas). Our Mercosur division accounted for 25.1% and 26.8% of volume and revenues, respectively, in 2009.

Our geographic footprint allows us to cover a combined population of approximately 200 million people through more than 1.5 million retailers that we serve frequently. We benefit from economies of scale from operating in the largest and most densely populated cities of Latin America. By using our know-how and capabilities at the point of sale, we believe that we have been able to increase annual per capita consumption of sparkling beverages (as defined below) in the territories in which we operate from 208 eight-ounce servings in 2004 to 238 eight-ounce servings for the year ended December 31, 2009, based on our own estimates. We believe there is market potential to continue to increase per capita consumption even in territories with high sparkling beverage consumption.

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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 sparkling beverages as of December 31, 2009:

Our Products

We produce, market and distribute *Coca-Cola* trademark beverages and brands licensed from Fomento Económico Mexicano, S.A.B. de C.V., or FEMSA, a Mexican holding company with interests in the beverages sector and related business. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and other nonalcoholic flavored carbonated beverages), waters (non-flavored waters, whether or not carbonated) and still beverages (juice drinks, teas, isotonics and other nonalcoholic non-carbonated beverages).

Our ability to expand our product portfolio with different beverage categories from juices and nectars to orangeades and vitamin water and reinforce our existing categories with new products such as isotonics and energy drinks has helped us to become the most integrated beverage player in the industry, considered number one in the sparkling and still beverages category in terms of sales volume in our territories. Our proven capacity to proactively develop and manage an increasingly complex multi-category portfolio of beverages highlights our organization s flexibility to adapt to our markets and our consumers evolving needs.

The following chart shows our sales volume per category and country for the year ended December 31, 2009:

Volume information for the Year Ended December 31, 2009

	Sparkling	**Water**(1)	**Bulk Water**(2)	**Still**(3)	**Total**
			(millions of unit cases)		
Mexico	900.8	50.8	212.8	62.8	1,227.2
Central America	118.6	5.6	0.4	11.2	135.8
Colombia	173.2	20.9	20.8	17.3	232.2
Venezuela	206.5	10.3	2.6	5.8	225.2
Latincentro	498.3	36.8	23.8	34.3	593.2
Brazil	389.4	21.2	1.5	12.0	424.1
Argentina	170.3	1.6	0.7	11.5	184.1
Mercosur	559.7	22.8	2.2	23.4	608.2
Total	1,958.9	110.4	238.8	120.5	2.428.6

(1) Excludes water presentations larger than 5.0 liters.

(2) Bulk water refers to still bottled water in 5.0, 19.0 and 20.0 liter packaging presentations.

(3) Still beverages include flavored water.

Out of the more than 100 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*, *Coca-Cola Zero* and *Coca-Cola light caffeine free*, accounted for 61.4% of total sales volume in 2009. Our next largest brands, *Ciel* (a water brand from Mexico), *Fanta* (and its line extensions), *Sprite* (and its line extensions), *ValleFrut* and *Hit*, accounted for 10.5%, 5.8%, 2.6%, 1.5% and 1.3%, respectively, of total sales volume in 2009.

The cooperation framework with our partner, The Coca-Cola Company, for still beverages, has generated an important avenue of growth for this category and has increased our position in Latin America s fast-growing, underdeveloped juice-based beverage market. The products from the *Jugos del Valle* line of business accounted for 3.1% of total sales volume in 2009 compared to 1.3% in the same period in 2008. (We started to distribute *Jugos del Valle* brand juice-based beverages in our Mexican operations in February 2008 and gradually incorporated *Jugos del Valle s* juice-based products into some of our operations in the Latincentro and Mercosur divisions during the year.*)* Through this joint operation with The Coca-Cola Company and other Mexican bottlers, we not only built a strong position in Mexico s juice-based beverage market in a very short period of time, but also opened up new avenues of growth through the sale of innovative products across the still beverage category in Latin America. In 2009 our still beverages portfolio, including water in single-serve presentations, accounted for approximately 9.5% of our total sales volume.

Business Strategy

Our goal is to maximize growth and profitability to create value for our shareholders. Our efforts to achieve this goal are based on: (1) implementing multi-segmentation strategies in our major markets to target distinct market clusters divided by consumption occasion, competitive intensity and socioeconomic levels; (2) implementing well-planned product, packaging and pricing strategies through different distribution channels; (3) driving product innovation along our different product categories and (4) achieving 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 strategic acquisitions and by entering into agreements to jointly acquire companies with The Coca-Cola Company;

- expanding our bottled water strategy, in conjunction with The Coca-Cola Company through innovation and selective acquisitions to maximize its 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 geographical footprint through organic growth and strategic 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