COCA COLA FEMSA SAB DE CV
Form 20-F
June 17, 2011

As filed with the Securities and Exchange Commission on June 17, 2011

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, 2010
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 Fé
01210 México, D.F., México
(Address of principal executive offices)

José Castro

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irelations@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, 2010 was:

992,078,519	Series A Shares, without par value

583,545,678	Series D Shares, without par value
270,906,004	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.

x 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_ x 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.

x 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 x 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 **x**

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_ x Item 18

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

¨ Yes_ x No

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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. 12.3825 to US$ 1.00, the exchange rate for Mexican pesos on December 30, 2010, the last day in 2010 for which information is available, according to the U.S. Federal Reserve Board. On June 10, 2011, this exchange rate was Ps. 11.8668 to US$ 1.00. See "Item 3. Key Information—Exchange Rate Information" for information regarding exchange rates since January 1, 2006.

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* of 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.

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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, 2010 and 2009 and the related consolidated statements of income and changes in shareholders' equity and cash flows for the years ended December 31, 2010, 2009 and 2008. Our consolidated financial statements are prepared in accordance with Mexican Financial Reporting Standards, which we sometimes refer to as Mexican FRS. Mexican Financial Reporting Standards 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 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.

Through December 31, 2007, Mexican Financial Reporting Standards 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 applying inflationary accounting in accordance with Mexican Financial Reporting Standards.

Pursuant to Mexican Financial Reporting Standards, the information presented in this annual report presents financial information for 2010, 2009 and 2008 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 and 2006 is expressed in constant pesos as of December 31, 2007.

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Pursuant to Mexican Financial Reporting Standards, 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 2010, 2009 and 2008 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 2008, 2009 and 2010 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.

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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,					
	2010[1]	**2010**	**2009[2]**	**2008[3]**	**2007**	**2006**
	(2010, 2009 and 2008 in millions of Mexican pesos or millions of U.S. dollars; 2007 and 2006 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$ 8,355	Ps. 103,456	Ps. 102,767	Ps. 82,976	Ps. 69,251	Ps. 64,046
Cost of goods sold	4,485	55,534	54,952	43,895	35,876	33,740
Gross profit	3,870	47,922	47,815	39,081	33,375	30,306
Operating expenses	2,491	30,843	31,980	25,386	21,889	20,013
Income from operations	1,379	17,079	15,835	13,695	11,486	10,293
Comprehensive financing result	99	1,228	1,373	3,552	345	1,195
Other expenses, net	104	1,292	1,449	1,831	702	1,046
Income taxes	344	4,260	4,043	2,486	3,336	2,555
Consolidated net income	832	10,299	8,970	5,826	7,103	5,497
Controlling interest net income	791	9,800	8,523	5,598	6,908	5,292
Non-controlling interest net income	41	499	446	228	195	205
Net controlling income per share[4]	0.43	5.31	4.62	3.03	3.74	2.86
U.S. GAAP						
Total revenues.	US$ 8,328	Ps. 103,122	Ps. 100,393	Ps. 81,099	Ps. 69,131	Ps. 59,940
Cost of goods sold	4,518	55,944	54,335	43,490	36,118	31,426
Gross profit	3,810	47,178	46,058	37,609	33,013	28,514
Operating expenses	2,566	31,770	31,843	25,567	22,279	19,773
Income from operations	1,244	15,408	14,215	12,042	10,734	8,741
Comprehensive financing result	102	1,260	1,752	3,917	278	1,142
Other expenses, net	13	163	226	440	241	(124)
Income taxes	331	4,097	3,525	1,987	3,272	2,420
Consolidated net income[5]	816	10,105	8,853	5,802	6,953	5,280
Controlling interest net income	776	9,608	8,407	5,571	6,765	5,104
Non-controlling interest net income	40	497	446	231	188	176
Net controlling income per share[4]	0.42	5.20	4.55	3.02	3.66	2.76

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Balance Sheet Data:						
Mexican FRS						
Cash, cash equivalents and marketable securities	US$ 1,012	Ps. 12,534	Ps. 9,740	Ps. 6,192	Ps. 7,542	Ps. 4,641
Other current assets	1,123	13,902	13,899	11,800	9,919	7,301
Property, plant and equipment, net	2,592	32,100	31,242	28,236	23,709	23,362
Intangible assets, net	4,136	51,213	50,898	47,453	42,458	41,064
Other assets, net	348	4,312	4,882	4,277	3,550	3,497
Total assets.	9,211	114,061	110,661	97,958	87,178	80,427
Short-term bank loans and notes payable.	148	1,840	5,427	6,119	4,814	3,419
Other current liabilities	1,277	15,806	18,021	15,214	11,496	9,904
Long-term bank loans and notes payable	1,253	15,511	10,498	12,455	14,102	16,799
Other long-term liabilities	567	7,023	8,243	6,554	5,985	5,850
Total liabilities	3,245	40,180	42,189	40,342	36,397	35,972
Shareholders' equity	5,966	73,881	68,472	57,616	50,781	44,454
Capital stock	252	3,116	3,116	3,116	3,116	3,116
Non-controlling interest in consolidated subsidiaries	210	2,602	2,296	1,703	1,641	1,475
Controlling interest	5,756	71,279	66,176	55,913	49,140	42,979
U.S. GAAP						
Cash, cash equivalents and marketable securities	US$ 980	Ps. 12,140	Ps. 9,740	Ps. 6,192	Ps. 7,542	Ps. 5,074
Other current assets	1,218	15,081	14,936	12,493	10,523	6,868
Property, plant and equipment, net	2,430	32,258	29,835	28,045	23,044	21,258
Intangible assets, net	3,961	50,697	49,336	46,580	42,458	41,088
Other assets, net	388	4,837	4,582	4,663	5,015	4,266
Total assets.	8,977	115,013	108,429	97,973	88,582	78,554
Short-term bank loans and notes payable	148	1,840	5,427	6,119	4,814	3,289
Other current liabilities	1,277	15,816	18,033	15,226	11,430	9,329
Long-term bank loans and notes payable	1,253	15,511	10,497	12,455	14,102	16,789
Other long-term liabilities	579	8,378	8,435	7,705	7,111	6,117
Total liabilities	3,257	41,545	42,392	41,505	37,457	35,524
Equity	5,720	73,468	66,037	56,468	51,125	43,030
Non-controlling interest in consolidated subsidiaries	213	2,633	2,333	1,707	1,653	1,260
Controlling interest	5,507	70,835	63,704	54,761	49,472	41,770
Capital stock	252	3,116	3,116	3,116	3,116	3,116
Other Data:						
Mexican FRS						
Depreciation[5]	US$ 269	Ps. 3,333	Ps. 3,472	Ps. 3,022	Ps. 2,586	Ps. 2,625
Capital expenditures[6]	604	7,478	6,282	4,802	3,682	2,863

U.S. GAAP						
Depreciation(5)	US$ 273	Ps. 3,381	Ps. 3,696	Ps. 3,151	Ps. 2,717	Ps. 2,483

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 12.3825 to US$ 1.00 solely for the convenience of the reader.

(2) Includes results from the operations of Brisa from Februray 2009. See “Item 4—Information on the Company—The Company—Corporate History.”

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(3) Includes results from the operations of REMIL from June 1, 2008. See "Item 4—Information on the Company—The Company—Corporate History."

(4) Computed on the basis of 1,846.5 million shares outstanding.

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

(6) Expressed in historical 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)]
2006	May 15, 2007	0.438	0.041
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

(1) Expressed in U.S. dollars using the exchange rate applicable when the dividend was paid.

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.

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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
2006	11.46	10.43	10.90	10.80
2007	11.27	10.67	10.93	10.92
2008	13.94	9.92	11.21	13.83
2009	15.41	12.63	13.58	13.06
2010	13.19	12.16	12.64	12.38

Source: The Federal Reserve Bank of New York and U.S. Federal Reserve Board

(1) Average month-end rates.

	Exchange Rate		
	High	Low	End of Period
2009:			
First Quarter	Ps. 15.41	Ps. 13.33	Ps. 14.21
Second Quarter	13.89	12.88	13.17
Third Quarter	13.80	12.82	13.48
Fourth Quarter	13.67	12.63	13.06
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
December	Ps. 12.47	Ps. 12.33	Ps. 12.38
2011:			
First Quarter	Ps. 12.25	Ps. 11.92	Ps. 11.92
January	12.25	12.04	12.15
February	12.18	11.97	12.11
March	12.11	11.92	11.92
April	11.85	11.52	11.52
May	11.77	11.51	11.58

Source: The Federal Reserve Bank of New York and the U.S. Federal Reserve Board

On June 10, 2011, the exchange rate was Ps. 11.8668 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.

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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.

Approximately 99% of our sales volume in 2010 was 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. In Mexico, we have four bottler agreements; the agreements for two territories expire in June 2013 and the agreements for the other two territories expire in May 2015. 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. Currently, The Coca-Cola Company indirectly owns 31.6% of our outstanding capital stock, representing 37.0% of our capital stock with full voting rights. The Coca-Cola Company is entitled to appoint four of our 18 directors and the vote of at least two of them is required to approve certain actions by our board of directors. FEMSA indirectly owns 53.7% of our outstanding capital stock, representing 63.0% of our capital stock with full voting rights. FEMSA is entitled to appoint 11 of our 18 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.

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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, a Brazilian subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V., a brewer with operations in Mexico and Brazil, formerly known as FEMSA Cerveza, S.A. de C.V., or FEMSA Cerveza, 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. We have agreed with Cervejarias Kaiser to continue to distribute and sell the *Kaiser* beer portfolio in our Brazilian territories through the 20-year term, consistent with the arrangements in place since 2006. See "Item 4. Information on the Company—The Company—Product and Packaging Mix—Mercosur (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 jointly develop still beverages and waters in our territories with The Coca-Cola Company and have entered into agreements to jointly 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 and sport drinks. 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, 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.

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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.

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 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 high fructose corn syrup, 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. 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 decreased significantly in 2010 and in 2009; however, we cannot provide any assurance that prices will remain at these levels, and they may also increase in future periods. During 2009-2010 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. Average sweetener prices paid during 2010 were higher as compared to 2009 in all of the countries in which we operate. 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.

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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 of 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 of 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. 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.

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 Mexico, Colombia, Venezuela and Central America in 2010, 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 three of our 18 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 allow 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."

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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 as follows: (1) the Mexican Securities Market Law does not provide a remedy for shareholders relating to violations of fiduciary duties by our directors and officers, (2) there is no procedure for class actions as such actions are conducted in the United States and (3) there are different procedural requirements for bringing shareholder lawsuits for the benefit of companies. 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 emerging market countries. Although economic conditions are different in each country, investors' reaction to developments in one country can have effects on the securities of issuers in other countries, including Mexico. We cannot assure you that events elsewhere, especially in emerging markets, will not adversely affect the market value of our securities.

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. We may not legally allow holders of our shares or ADSs who are located in the United States to exercise any preemptive rights in any future capital increases unless (1) we file a registration statement with the 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, 2010, 37.5% 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 18% of our total debt as of December 31, 2010, 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 and 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. 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 30, 2010, the exchange rate was Ps. 12.38 to U.S.$ 1.00. At June 10, 2011, the exchange rate was Ps. 11.8668 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 generally do not hedge our exposure to the U.S. dollar with respect to the Mexican peso and other currencies, other than with respect to our U.S. dollar-denominated debt obligations, and recently, the purchase of certain raw materials. A severe depreciation of the Mexican peso 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.

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Political events in Mexico could adversely affect our operations.

Mexican political events may significantly affect our operations. Presidential elections in Mexico occur every six years, and the most recent election occurred in July 2006. Elections of the senate also occurred in July 2006, and although the Partido Acción Nacional won a plurality of the seats in the Mexican congress in the election, no party succeeded in securing a majority. Elections of the Cámara de Diputados (House of Representatives) occurred in 2009, and although the Partido Revolucionario Institucional won a plurality of seats in the House of Representatives, no party succeeded in securing a majority. The absence of a clear majority by a single party is likely to continue. This situation may result in government gridlock and political uncertainty. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition or results 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 42.8% and 29.5%, respectively, in 2005 to 62.5% and 61.3%, respectively, in 2010. 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.

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 of: (1) 2.60 bolivars to US$ 1.00 for high priority categories (2) 4.30 bolivars to US$ 1.00 for non-priority categories and (3) the recognition of the existence of other exchange rates that the government shall determine. In January 2011, the Venezuelan government announced that its only official exchange rate effective as of January 1, 2011 is 4.30 bolivars to US$ 1.00, although the Venezuelan government continues to recognize the existence of other exchange rates that the government shall determine. This devaluation has had an impact on our financial results and results from operations as a result of the exchange rate as applied to our U.S. dollar-denominated raw material costs. Future currency devaluation or the imposition of exchange controls in any of the countries in which we have operations would have an adverse effect on our financial position and results from operations.

We cannot assure you that 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.

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Item 4. Information on the Company

THE COMPANY

Overview

We are the largest publicly listed bottler of *Coca-Cola* trademark beverages in the world, calculated by sales volume in 2010. 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 southeast Mexico (including the Gulf region).

- Central America – Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide) and Panama (nationwide).

- Colombia – most of the country.

- Venezuela – nationwide.

- 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 a 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 variable capital listed 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 Fé, 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 2010.

Operations by Reporting Segment—Overview
Year Ended December 31, 2010[1]

	Total Revenues	Percentage of Total Revenues	Income from Operations	Percentage of Income from Operations
Mexico	38,782	37.5%	6,605	38.7%
Latincentro[2]	17,281	16.7%	3,022	17.7%
Venezuela	14,033	13.6%	2,444	14.3%
Mercosur[3]	33,360	32.2%	5,008	29.3%

Consolidated	103,456	100.0%	17,079	100.0%

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

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

(3) Includes Brazil and Argentina.

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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% 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 outstanding Series L Shares) 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. We hold an interest of approximately 20% in each of the Mexican joint business and 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.

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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., 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. We currently have a 13.84% indirect interest in the Matte Leao business in Brazil.

On March 28, 2011, we acquired together with The Coca-Cola Company, Grupo Estrella Azul (also known as Grupo Industrias Lacteas), a Panamanian conglomerate that participates in the dairy and juice-based beverage categories in Panama. We will continue to develop this business jointly with The Coca-Cola Company.

As of May 31, 2011, FEMSA indirectly owned Series A Shares equal to 53.7% of our capital stock (63.0% of our capital stock with full voting rights). As of May 31, 2011, The Coca-Cola Company indirectly owned Series D Shares equal to 31.6% 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 14.7% of our capital stock.

Business Strategy

We operate with a large geographic footprint in Latin America and have established divisional headquarters in the following three regions:

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

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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 and (5) 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 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 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 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 new 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 "—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 important pillar of our Company's strategy. We continually develop programs that ensure the creation of social and economic value by fostering the quality of life of our employees, promoting a culture of health and well-being, supporting our surrounding communities and minimizing our operations' environmental impact.

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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 sparkling beverages as of December 31, 2010:

Per capita consumption data for a territory is determined by dividing sparkling beverage sales volume within the territory (in bottles, cans, and fountain containers) by the estimated population within such territory, and is expressed on the basis of the number of eight-ounce servings of 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 our sparkling beverages.

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Our Products

We produce, market and distribute *Coca-Cola* trademark beverages, and brands licensed from FEMSA through 2010. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages), waters, and still beverages (including juice drinks, teas and isotonics). In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. See "—Corporate History." The following table sets forth our main brands as of December 31, 2010:

Colas:	**Mexico**	**Latincentro**(1)	**Venezuela**	**Mercosur**(2)
Coca-Cola	a	a	a	a
Coca-Cola Light	a	a	a	a
Coca-Cola Zero	a	a	a	a

Flavored sparkling beverages:	**Mexico**	**Latincentro**(1)	**Venezuela**	**Mercosur**(2)
Aquarius Fresh				a
Chinotto			a	
Crush		a		a
Fanta	a	a		a
Fresca	a	a		
Frescolita		a	a	
Hit			a	
Kuat				a
Lift	a	a		
Mundet(3)	a			
Quatro		a		a
Simba				a
Sprite	a	a		a

Water:	**Mexico**	**Latincentro**(1)	**Venezuela**	**Mercosur**(2)
Alpina		a		
Brisa		a		
Ciel	a			
Crystal				a
Kin				a
Manantial		a		
Nevada			a	

Other Categories:	**Mexico**	**Latincentro**(1)	**Venezuela**	**Mercosur**(2)
Aquarius(4)				a
Cepita				a
Hi-C(5)		a		

Jugos del Valle[(5)]	a	a		a
Nestea	a	a	a	
Powerade[(6)]	a	a	a	a
Matte Leao[(7)]				a

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

(2) Includes Brazil and Argentina.

(3) Brand sold in Mexico by FEMSA to The Coca-Cola Company in September 2010 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 license agreements with Promotora de Marcas Nacionales, S.A. de C.V. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

(4) Flavored water. In Brazil, also flavored sparkling beverage.

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

(6) Isotonic.

(7) Ready to drink tea

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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,		
	2010	2009	2008
	(millions of unit cases)		
Mexico	1,242.3	1,227.2	1,149.0
Latincentro			
Central America[1]	137.0	135.8	132.6
Colombia[2]	244.3	232.2	197.9
Venezuela	211.0	225.2	206.7
Mercosur			
Brazil[3]	475.6	424.1	370.6
Argentina	189.3	184.1	186.0
Combined Volume	2,499.5	2,428.6	2,242.8

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

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

(3) Excludes beer sales volume. As of June 1, 2008, includes sales from REMIL. 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 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* and *Coca-Cola Zero*, accounted for 61.7% of total sales volume in 2010. 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 9.9%, 5.8%, 2.6% and 2.2%, respectively, of total sales volume in 2010. 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 made of polyethylene terephtalate, 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 sparkling beverages brands as compared to the rest of our territories. Our territories in Brazil are densely populated but have lower per capita consumption of sparkling beverage products as compared to Mexico. Portions of southern Mexico, Central America and Colombia are large and mountainous areas with lower population density, lower per capita income and lower per capita consumption of sparkling beverages. In Venezuela, 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.

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The following discussion analyzes our product and packaging mix by reporting segment. The volume data presented is for the years 2010, 2009 and 2008.

Mexico. 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. Total beverage per capita consumption of our products in our Mexican territories in 2010 was 598 eight-ounce servings.

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

	Year Ended December 31,		
	2010	**2009**	**2008**
Total Sales Volume		**(millions of unit cases)**	
Total	1,242.3	1,227.2	1,149.0
% Growth	1.2%	6.8%	3.5%
Unit Case Volume Mix by Category		**(in percentages)**	
Sparkling beverages	74.1%	73.4%	75.4%
Water(1)	20.6	21.5	21.6
Still beverages	5.3	5.1	3.0
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volumes.

In 2010, our most popular sparkling beverage presentations were the 2.5-liter returnable plastic bottle, the 0.6-liter non returnable plastic bottle (the 20-ounce bottle that is also popular in the United States) and the 3.0-liter non-returnable plastic bottle, which together accounted for 54.3% of total sparkling beverage sales volume in Mexico. Multiple serving presentations represented 67.5% of total sparkling beverages sales volume in Mexico in 2010, a 3.2% increase compared to 2009. Our strategy is to foster consumption in single serving presentations while maintaining multiple serving volumes. In 2010, our sparkling beverages increased as a percentage of our total sales volume from 73.4% in 2009 to 74.1% in 2010, mainly due to a decrease of the bulk water business and the strong preference of our consumers for the *Coca-Cola* brand.

Total sales volume reached 1,242.3 million unit cases in 2010, an increase of 1.2% compared to 1,227.2 million unit cases in 2009. Sparkling beverages sales volume increased 2.3% as compared to 2009. The sparkling beverage category and the still beverage category accounted for total incremental volumes during the year.

Latincentro (excluding Venezuela). Our total sales volume in Latincentro consist predominantly of *Coca-Cola* trademark beverages. Per capita consumption of our beverage products in Colombia and Central America was 127 and 171 eight-ounce servings, respectively, in 2010.

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

	Year Ended December 31,		
	2010	**2009**	**2008**
Total Sales Volume		**(millions of unit cases)**	
Total	381.3	368.0	330.5
% Growth	3.6%	11.3%	1.4%
Unit Case Volume Mix by Category		**(in percentages)**	
Sparkling beverages	76.9%	79.3%	87.9%
Water(1)	15.3	13.0	7.7
Still beverages	7.8	7.7	4.4
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

In 2010, multiple serving presentations, as a percentage of total sparkling beverage sales volume, represented 56.3% in Central America and 58.7% in Colombia. 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. The acquisition of Brisa in 2009 helped us to become leader, based on sales volume, in the water market in Colombia.

Total sales volume was 381.3 million unit cases in 2010, increasing 3.6% compared to 368.0 million in 2009. Water sales, including bulk water, represented approximately 80% of total incremental volume, mainly driven by the integration of the Brisa bottled water business in Colombia. Sparkling beverages, driven by the *Coca-Cola* brand and still beverages, mainly driven by the *Jugos del Valle* line of products and *Nestea*, represented the balance.

Venezuela. Our product portfolio in Venezuela consists of *Coca-Cola* trademark beverages. Per capita consumption of our beverages in Venezuela during 2010 was 175 eight-ounce servings.

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

	Year Ended December 31,		
	2010	**2009**	**2008**
Total Sales Volume	**(millions of unit cases)**		
Total	211.0	225.2	206.7

% Growth	(6.3%)	9.0%	(1.1%)

Unit Case Volume Mix by Category		**(in percentages)**	
Sparkling beverages	91.2%	91.7%	91.3%

Water[(1)]	5.4	5.0	5.8

Still beverages	3.4	3.3	2.9

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 the last several years. During 2010, we faced a difficult economic environment that prevented us from growing sales volume for our products, and our sparkling beverage volume decreased by 6.8%.

In 2010, multiple serving presentations represented 77.6% of total sparkling beverages sales volume in Venezuela. Total sales volume was 211.0 million unit cases in 2010, a decrease of 6.3% compared to 225.2 million in 2009.

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Mercosur (Brazil and Argentina). Our product portfolio in Mercosur consists mainly of *Coca-Cola* trademark beverages and the *Kaiser* beer brand in Brazil, which we sell and distribute. In 2009, as part of our efforts to strengthen our multi-category beverage portfolio, we incorporated the *Jugos del Valle* line of juice based beverages in Brazil. In 2010, we incorporated ready to drink beverages under the *Matte Leao* brand in Brazil. Per capita consumption of our beverages in Brazil and Argentina was 259 and 374 eight-ounce servings, respectively, in 2010. The following table highlights historical total sales volume and sales volume mix in Mercosur, not including beer:

	Year Ended December 31,		
	2010	**2009**	**2008**
Total Sales Volume		**(millions of unit cases)**	
Total	664.9	608.2	556.6
% Growth	9.3%	9.3%	17.1%
Unit Case Volume Mix by Category		**(in percentages)**	
Sparkling beverages	90.8%	92.0%	93.3%
Water[(1)]	4.2	4.1	4.2
Still beverages	5.0	3.9	2.5
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

In 2008, in our continued effort to develop the still beverage category in Argentina, we launched *Aquarius*, a flavored water. During 2010, 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. These presentations accounted for close to 50% of incremental volumes in Brazil.

Total sales volume was 664.9 million unit cases in 2010, an increase of 9.3% compared to 608.2 million in 2009. Growth in sparkling beverages mainly driven by sales of the *Coca-Cola* brand in both Brazil and Argentina, accounted for close to 80% of the growth during the year. Growth in still beverages, mainly driven by the *Jugos del Valle* line of products in Brazil and *Aquarius* flavored water in Argentina, represented more than 15% of incremental volumes. In 2010, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 28.5% in Argentina and 14.9% in Brazil. In 2010, multiple serving presentations represented 71.1% and 84.6% of total sparkling beverages sales volume in Brazil and Argentina, respectively.

We sell and distribute the *Kaiser* brands of beer in our territories in Brazil. In January 2006, FEMSA Cerveza acquired a controlling stake in Cervejarias Kaiser. Since that time, we have distributed the *Kaiser* beer portfolio in our Brazilian territories, consistent with the arrangements between us and Cervejarias Kaiser in place prior to 2004. 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. We have agreed with Cervejarias Kaiser to continue to distribute and sell the *Kaiser* beer portfolio in our Brazilian territories through the 20-year term, consistent with the arrangement in place since 2006.

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.

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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 2010, net of contributions by The Coca-Cola Company, were Ps. 3,979 million. The Coca-Cola Company contributed an additional Ps. 2,386 million in 2010, 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 have started the rollout of this new model in our Mexico, Brazil, Colombia and Central America operations.

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.

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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, 2010

	Mexico	Latincentro[(1)]	Venezuela	Mercosur[(2)]
Distribution centers	83	57	32	32
Retailers [(3)]	621,053	474,387	211,568	269,349

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

(2) Includes 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 provides 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 21.4% of our total sales volume through supermarkets in 2010. 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.