

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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(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.

Yes_ No

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

Yes_ No

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

Yes_ No

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

Yes_ No

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

Large Accelerated filer Accelerated filer Non-accelerated filer

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

U.S. GAAP IFRS Other

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

Item 17_ Item 18

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

Yes_ No

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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.

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

Table of Contents**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			