

COCA COLA FEMSA SA DE CV
Form F-3
July 06, 2004
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As filed with the Securities and Exchange Commission on July 6, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

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

(Exact name of Registrant as specified in its charter)

United Mexican States

(State or other jurisdiction of incorporation or organization)

Not Applicable

(I.R.S. Employer Identification Number)

Guillermo González Camarena No. 600
Centro de Ciudad Santa Fé
01210 México, D.F., México
(52-55) 5081-5100

(Address and telephone number of

Registrant's principal executive offices)

Donald J. Puglisi
Puglisi & Associates
850 Library Avenue, Suite 204
Newark, DE 19715, U.S.A.
(302) 738-6680

(Name, address and telephone number of agent for service)

Copies to:

Jaime A. El Koury

Cleary, Gottlieb, Steen & Hamilton

One Liberty Plaza

New York, New York 10006

Approximate date of commencement of proposed sale to the public: As soon as practicable after the registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: "

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Shares of Series L (without par value, which may be evidenced by American Depositary Shares) (1)	98,840,861	\$2.216	\$219,031,347.98	\$27,751.27
Rights to acquire shares of Series L (without par value, which may be evidenced by American Depositary Shares)	98,840,861	None	None	None

(1) American Depositary Shares evidenced by American Depositary Receipts issuable on deposit of the common shares registered hereby have been registered under a separate registration statement on Form F-6. Each American Depositary Share represents ten Series L Shares. **The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

Series L Shares not subscribed for in the offering will be cancelled. If all of the Series L Shares, including in the form of ADSs, are subscribed for in the offering, Coca-Cola FEMSA will receive net proceeds of approximately U.S.\$219,031,348, subject to exchange rate fluctuations. **Holders of our other series of shares, in particular the subsidiaries of The Coca-Cola Company and of Fomento Económico Mexicano, S.A. de C.V., will not subscribe for Series L Shares or ADSs in the offering.**

See **Risk Factors** beginning on page 8 to read about factors you should consider before investing in the Series L Shares or ADSs.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

, 2004

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WHERE YOU CAN FIND MORE INFORMATION ABOUT COCA-COLA FEMSA

We have filed with the Securities and Exchange Commission, which we refer to as the SEC, a registration statement on Form F-3 under the Securities Act of 1933. This prospectus does not contain all of the information included in the registration statement, certain parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about Coca-Cola FEMSA and our Series L Shares and ADSs, you should refer to our registration statement and its exhibits. This prospectus summarizes the contents of contracts and other documents that we refer you to. Since this prospectus may not contain all of the information that is important to you, you should review the full text of these documents. We have included copies of these documents as exhibits to our registration statement.

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. As a foreign private issuer, we and our shareholders are exempt from some of the reporting requirements of the Securities Exchange Act of 1934, including the proxy solicitation rules, the rules regarding the furnishing of annual reports to stockholders, and Section 16 short-swing profit reporting for our officers and directors and for holders of more than 10% of our shares. You may read and copy any materials filed with the SEC at its Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20459. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We also file reports electronically with the SEC, which are available on the SEC's website at www.sec.gov.

INCORPORATION BY REFERENCE

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

our annual report on Form 20-F for the fiscal year ended December 31, 2003, filed with the SEC on April 5, 2004;

our report on Form 6-K reporting results for the quarter ended March 31, 2004, submitted to the SEC on April 26, 2004;

the consolidated balance sheet of Corporación Interamericana de Bebidas, S.A. de C.V., formerly known as Panamerican Beverages, Inc. and subsidiaries, and which we refer to as Panamco, as of December 31, 2002 and 2001 and the related consolidated statements of operations, of shareholders' equity and comprehensive income (loss) and of cash flows for each of the three years in the period ended December 31, 2002 included in its annual report on Form 10-K for the fiscal year ended December 31, 2002, filed with the SEC on March 28, 2003;

the condensed consolidated financial statements of Panamco included in its filing on Form 10-Q for the fiscal quarter ended March 31, 2003, filed with the SEC on May 6, 2003; and

any future filings on Form 6-K made by us with the SEC under the Securities Exchange Act of 1934, as amended, after the date of this prospectus and prior to the termination of the offering of Series L Shares and ADSs that are identified in such forms as being incorporated into this prospectus.

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You may request a copy of any and all of the information that has been incorporated by reference in this prospectus and that has not been delivered with this prospectus, at no cost, by writing to us at Guillermo González Camarena No. 600, Col. Centro de Ciudad Santa Fé, Delegación Álvaro Obregón, Mexico, D.F., 01210, Mexico. Our telephone number at this location is (52-55) 5081-5121.

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WHERE YOU CAN FIND MORE INFORMATION ABOUT THE RIGHTS OFFERING

The terms and procedures of the rights offering are described in this prospectus under *Prospectus Summary*, *The Rights Offering* and *The Rights Offering*. You may refer any questions regarding the rights offering to the information agent:

Information Agent

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Telephone: (800) 322-2885 or (212) 929-5500

You may obtain copies of this prospectus and the documents incorporated by reference without charge from the information agent.

In addition, you may refer questions regarding the completion of the ADS subscription rights certificate to The Bank of New York, our ADS rights agent:

ADS Rights Agent

The Bank of New York

101 Barclay Street

New York, New York 10286

Telephone: (800) 507-9357

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated balance sheets as of December 31, 2003 and 2002 and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the years ended December 31, 2003, 2002 and 2001 are included in our annual report on Form 20-F for the year ended December 31, 2003, which is incorporated by reference into this prospectus.

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in Mexico, which we refer to as Mexican GAAP. Mexican GAAP differs in certain significant respects from generally accepted accounting principles in the United States, which

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we refer to as U.S. GAAP. Notes 25 and 26 to our consolidated financial statements provide a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us, together with a reconciliation to U.S. GAAP of net income, stockholders' equity and certain other selected financial data.

Unless otherwise specified, we have presented financial data for all full-year periods included in our consolidated financial statements in constant Mexican pesos as of December 31, 2003. We have presented financial data as of March 31, 2004 and for the three-month periods ended March 31, 2004 and March 31, 2003 in constant Mexican pesos as of March 31, 2004. We believe that the effect of not restating the financial data for the full-year periods included in our consolidated financial statements in constant Mexican pesos as of March 31, 2004 would not be material, as the Mexican Consumer Price Index was 1.57% for the three-month period ended March 31, 2004.

This prospectus contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps.11.174 to U.S.\$1.00, the exchange rate quoted by dealers to us for the settlement of obligations in foreign currencies on March 31, 2004. On March 31, 2004 and on July 1, 2004, the noon buying rates for Mexican pesos as published by the Federal Reserve Bank of New York were Ps.11.1830 to U.S.\$1.00 and Ps. 11.1830 to U.S.\$1.00, respectively.

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We acquired Panamco on May 6, 2003. Unless otherwise indicated, our consolidated financial statements include Panamco only from May 2003. As a result, our consolidated financial statements for the year ended and as of December 31, 2003 and for the three months ended and as of March 31, 2004 are not comparable to prior periods. These financial statements may also not be comparable to subsequent periods, as Panamco is only included in our consolidated financial statements for eight months in 2003. We have, however, included in this prospectus an unaudited pro forma income statement which includes Panamco from January 1, 2003. We have prepared the unaudited pro forma financial information for information purposes only. It does not purport to indicate the results of operations that would actually have occurred had the transaction been in effect on the date indicated or which may be expected to be achieved in the future. The financial statements of Panamco incorporated by reference in this prospectus are prepared in accordance with U.S. GAAP and in U.S. dollars, and as such, are not comparable to our financial statements, which are presented in accordance with Mexican GAAP and in Mexican pesos.

Unless the context otherwise requires, the terms Coca-Cola FEMSA, our company, we, us and our are used in this prospectus to refer to Coca-Cola FEMSA, S.A. de C.V. and its subsidiaries on a consolidated basis. References herein to U.S. dollars, U.S.\$, 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.

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PROSPECTUS SUMMARY

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

Our Business

We are the largest *Coca-Cola* bottler in Latin America, with our territories representing approximately 40% of *Coca-Cola* sales volumes in Latin America, and the second largest bottler of *Coca-Cola* trademark beverages in the world, calculated in each case by sales volume in unit cases sold in our territories in 2003. We operate in the following territories:

Mexico a substantial portion of central Mexico (including Mexico City) and southeast Mexico (including the Gulf region).

Central America 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, Campiñas, Santos, the state of Mato Grosso do Sul and part of the state of Goias.

Argentina federal capital of Buenos Aires and surrounding areas.

Our single most important brand is *Coca-Cola*, which accounted for 60.2% of our total consolidated sales volume in 2003. *Fanta*, *Sprite*, *Lift* and *Fresca*, our next largest brands in consecutive order, accounted for 5.1%, 3.1%, 2.4% and 2.1%, respectively, of sales volumes in 2003. 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 terephthalate. In addition to *Coca-Cola* trademark beverages, we produce, market and distribute certain other proprietary brands and beverages licensed from third parties other than The Coca-Cola Company in a variety of presentations.

In May 2003, we expanded our operations throughout Latin America by acquiring 100% of Panamco, then the largest soft drink bottler in Latin America in terms of sales volumes in 2002. Prior to the acquisition of Panamco, our territories consisted of parts of central and southeast Mexico and the federal capital of Argentina and surrounding areas. Through our acquisition of Panamco, we 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.

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The Coca-Cola Company and Fomento Económico Mexicano, S.A. de C.V., a Mexican holding company with interests in the beverages sector and other related businesses that we refer to as FEMSA, have significant influence on the conduct of our business and together possess the ability to control our company. The Coca-Cola Company indirectly owns all of our Series D Shares, representing 39.6% of our outstanding capital stock and 46.4% of our capital stock with full voting rights. FEMSA indirectly owns all of our Series A Shares, representing 45.7% of our capital stock and 53.6% of our capital stock with full voting rights. The remaining 14.7% of our capital stock consists of Series L Shares with limited voting rights, which are the subject of this offering, that trade on the Mexican Stock Exchange and, in the form of ADSs, on the New York Stock Exchange.

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Our principal executive offices are located at Guillermo González Camarena No. 600, Col. Centro de Ciudad Santa Fé, Delegación Álvaro Obregón, Mexico, D.F., 01210, Mexico. Our telephone number at this location is (52-55) 5081-5100. Our website is www.cocacola-femsa.com.mx.

Recent Developments

On May 7, 2004, we obtained a favorable final ruling from a Mexican federal court allowing us to deduct losses in the amount of Ps.3,049.0 million arising from a sale of shares during 2002. As a result of the ruling, we expect to recover approximately Ps.1,330.3 million, which will increase our 2004 consolidated net income by approximately Ps.1,200 million. More than 85% of this increase will be in the form of a cash reimbursement and the balance will be in the form of a tax deduction.

On June 8, 2004 a group of Brazilian investors, among them Mr. José Luis Cutrale, a recently appointed member of our board of directors, made a capital contribution to our Brazilian operations in exchange for a 16.9% equity stake in these operations. Mr. Cutrale is a Brazilian entrepreneur with extensive experience in the Brazilian consumer products industry and is an international producer of fruit juices, with customers around the world, including The Minute Maid Company, a division of The Coca-Cola Company.

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The following table presents selected financial data of our company. This information should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements, and the notes thereto included in our annual report on Form 20-F for the year ended December 31, 2003, which is incorporated by reference into this prospectus. The selected financial data is presented on a consolidated basis, and is not necessarily indicative of our financial position or results of operations at or for any future date or period.

	Year Ended December 31,					
	2003 ⁽¹⁾⁽²⁾	2003 ⁽¹⁾	2002	2001	2000	1999
	(millions of U.S. dollars or constant Mexican pesos)					
	at December 31, 2003, except per share data)					
Income Statement Data:						
Mexican GAAP						
Net sales	\$ 3,175.8	Ps. 35,486.8	Ps. 18,518.6	Ps. 17,636.5	Ps. 16,979.0	Ps. 15,205.9
Total revenues	3,197.5	35,729.4	18,667.5	17,771.6	17,052.7	15,253.9
Cost of sales	1,609.1	17,980.3	8,680.8	8,255.8	8,300.8	7,942.5
Gross profit	1,588.4	17,749.1	9,986.8	9,515.8	8,751.9	7,311.4
Operating expenses	987.9	11,038.7	5,319.3	5,351.0	5,405.5	4,819.9
Goodwill amortization			40.6	108.3	116.1	125.7
Income from operations	600.5	6,710.4	4,626.8	4,056.5	3,230.3	2,365.8
Net income	208.7	2,332.0	2,660.8	2,325.9	1,427.3	1,068.2
Majority net income	206.9	2,311.8	2,660.8	2,325.9	1,427.3	1,068.2
Majority income per share ⁽³⁾	0.12	1.36	1.87	1.63	1.00	0.75
U.S. GAAP						
Net sales	\$ 3,175.8	Ps. 35,486.8	Ps. 18,187.7	Ps. 17,273.5	Ps. 16,604.0	Ps. 16,791.0
Total revenues	3,197.5	35,729.4	18,320.6	19,237.2	19,030.4	17,755.0
Income from operations ⁽⁴⁾	565.8	6,322.8	4,388.1	3,941.0	3,277.6	2,421.2
Net income	205.7	2,298.4	2,624.4	2,392.1	1,604.7	1,223.8
Net income per share ⁽³⁾	0.12	1.35	1.84	1.68	1.13	0.86
Balance Sheet Data:						
Mexican GAAP						
Total assets	\$ 5,496.7	Ps. 61,419.8	Ps. 17,086.7	Ps. 15,116.8	Ps. 12,920.4	Ps. 12,040.4
Long-term debt	2,327.8	26,011.0	3,296.0	3,066.7	3,365.0	3,584.5
Capital stock	237.6	2,655.5	2,463.9	2,463.9	2,463.9	2,463.9
Majority stockholders equity	2,027.3	22,653.1	9,668.1	8,163.2	6,210.4	5,676.8
Total stockholders equity	2,041.9	22,816.6	9,668.1	8,163.2	6,210.4	5,676.8
U.S. GAAP						
Total assets	\$ 5,503.5	Ps. 61,496.1	Ps. 17,154.1	Ps. 15,764.8	Ps. 15,133.7	Ps. 14,358.4
Long-term debt	2,327.8	26,011.0	3,296.0	3,066.7	3,368.6	3,593.4
Capital stock	237.6	2,655.5	2,463.9	2,463.9	2,463.9	2,463.9
Total stockholders equity	1,973.2	22,048.9	9,294.4	8,208.5	7,441.3	6,322.1
Other Data:						
Mexican GAAP						
Depreciation ⁽⁵⁾	\$ 86.6	Ps. 967.5	Ps. 572.2	Ps. 638.3	Ps. 698.0	Ps. 587.8

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Capital expenditures	171.0	1,910.4	1,409.7	865.3	966.8	1,817.7
U.S. GAAP						
Depreciation ⁽⁵⁾	\$ 86.4	Ps. 965.6	Ps. 555.9	Ps. 716.1	Ps. 809.2	Ps. 710.8
Capital expenditures	171.0	1,910.4	1,394.3	1,001.7	1,088.6	1,146.7

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- (1) Includes the new territories acquired in the Panamco acquisition from May 2003.
- (2) Translation to U.S. dollar amounts at an exchange rate of Ps.11.174 to U.S.\$1.00 solely for the convenience of the reader.
- (3) For the years ended December 31, 1999 through December 31, 2002, computed on the basis of 1,425 million shares outstanding. For the year ended December 31, 2003, computed on the basis of 1,704.3 million shares outstanding, the weighted average shares outstanding during 2003 after giving effect to the capital increase in May 2003 in connection with the Panamco acquisition.
- (4) We include employee profit sharing as part of income from operations for purposes of U.S. GAAP.
- (5) Excludes breakage of bottles and cases (Ps.273.6 million in 2003) and amortization of other assets, and pension and seniority premiums (Ps.755.1 million in 2003). See the consolidated statements of changes in financial position included in our consolidated financial statements.

	Three Months Ended March 31,		
	(unaudited)		
	2004⁽¹⁾	2004	2003
	(millions of U.S. dollars or constant Mexican pesos at March 31, 2003, except per share data)		
Mexican GAAP			
Net sales	\$ 927.8	Ps. 10,367.4	Ps. 4,303.5
Total revenues	934.2	10,439.0	4,356.6
Cost of sales	482.2	5,388.4	2,100.6
Gross profit	452.0	5,050.5	2,256.0
Operating expenses	311.2	3,477.7	1,211.3
Bottler agreements amortization			5.9
Income from operations	140.7	1,572.7	1,038.8
Net income	77.7	868.6	490.9
Majority net income	77.7	868.4	490.9
Majority income per share	0.04	0.47	0.34
U.S. GAAP			
Net sales	\$ 927.8	Ps. 10,367.4	Ps. 4,274.2
Total revenues	934.2	10,439.0	4,325.2
Income from operations ⁽²⁾	137.7	1,538.9	971.7
Net income	83.0	927.5	483.3
Net income per share	0.04	0.5	0.4

- (1) Translation to U.S. dollar amounts at an exchange rate of Ps.11.174 to U.S.\$1.00 solely for the convenience of the reader.
- (2) We include employee profit sharing as part of income from operations for purposes of U.S. GAAP.

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The following table presents unaudited pro forma income statement information for our company giving effect to the acquisition of Panamco as if it had occurred on January 1, 2003. The unaudited pro forma income statement information should be read in conjunction with the unaudited income statement and related footnotes contained in this prospectus. See Unaudited Pro Forma Income Statement.

	Year Ended December 31, (unaudited)	
	2003 ⁽¹⁾	2003
	(millions of U.S. dollars or constant Mexican pesos)	
	at December 31, 2003, except per share data)	
Mexican GAAP		
Net sales	\$ 3,911.8	Ps. 43,711.0
Total revenues	3,938.3	44,006.1
Cost of sales	2,009.7	22,456.4
Gross profit	1,928.6	21,549.7
Operating expenses	1,233.5	13,782.7
Income from operations	695.0	7,767.0
Net income	247.6	2,766.7
Majority net income	245.5	2,743.6
Majority income per share ⁽³⁾	0.13	1.49
U.S. GAAP		
Net sales	\$ 3,911.8	Ps. 43,711.0
Total revenues	3,938.3	44,006.1
Income from operations ⁽²⁾	654.7	7,315.5
Net income	243.5	2,721.2
Net income per share ⁽³⁾	0.13	1.47

(1) Translation to U.S. dollar amounts at an exchange rate of Ps.11.174 to U.S.\$1.00 solely for the convenience of the reader.

(2) We include employee profit sharing as part of income from operations for purposes of U.S. GAAP.

(3) For the year ended December 31, 2003, computed on the basis of 1,846.4 million shares outstanding.

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THE RIGHTS OFFERING

The offering	We are offering 98,840,861 newly issued Series L Shares in the rights offering in the form of Series L Shares and ADSs. Each ADS represents ten Series L Shares.
Record date	Holders of record of Series L Shares or ADSs on , 2004 as of 4:00 p.m. Mexico City time (5:00 p.m. New York City time) will be entitled to purchase Series L Shares or ADSs, as applicable, in the offering.
Exercise period	The right to purchase Series L Shares or ADSs in the offering may be exercised at any time during the period commencing on , 2004 at 8:00 a.m. Mexico City time (9:00 a.m. New York City time) and expiring on , 2004 at 4:00 p.m. Mexico City time (5:00 p.m., New York City time). Any Series L Shares not subscribed for in the offering will be cancelled.
Rights non-transferable	The right to purchase Series L Shares or ADSs in the offering is not negotiable or transferable.
Exercise irrevocable	The exercise of the right to purchase by a holder is irrevocable and may not be cancelled or modified.
Offering to holders of Series L Shares:	
Series L Shares rights offering	Holders of Series L Shares will receive one right to purchase 0.3650632 new Series L Shares for each Series L Share owned on the record date. Fractional Series L Shares will not be issued, and entitlements to Series L Shares will be rounded down to the nearest whole number.
Series L subscription price	Mexican peso equivalent of U.S.\$2.216. The Series L subscription price is payable solely in Mexican pesos at the effective official exchange rate for transactions published in the <i>Diario Oficial de la Federación</i> (The Official Gazette of Mexico) on the date on which such subscription is made. As a result, the Mexican peso equivalent may vary based solely on changes in the published exchange rate prior to the expiration date.
Series L subscription procedure	Holders of Series L Shares may purchase Series L Shares in accordance with the subscription procedures of S.D. Ineval, S.A. de C. V. Instituto para el Depósito de Valores, which we refer to as Ineval.
Offering to holders of ADSs:	
ADS rights offering	Holders of ADSs will receive one right to purchase 0.3650632 new ADSs for each ADS owned on the record date. Fractional ADSs will not be issued, and entitlements to ADSs will be rounded down to the nearest whole number.

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ADS subscription price	U.S.\$22.16 per ADS, plus an ADS issuance fee of U.S.\$0.05 per ADS. The ADS subscription price is payable solely in U.S. dollars.
ADS subscription procedure	Holders of ADSs may exercise their right to purchase ADSs by completing and delivering the ADS subscription rights certificate, together with payment of the ADS subscription price, to The Bank of New York, as ADS rights agent, at any time during the exercise period.
Listings	<p>The Series L Shares are listed on the Mexican Stock Exchange, and the Series L Shares purchased in the offering will be listed and traded on the Mexican Stock Exchange upon issuance.</p> <p>The ADSs are listed on the New York Stock Exchange, and the ADSs purchased in the offering will be listed and traded on the New York Stock Exchange upon issuance.</p>
Use of proceeds	The aggregate net proceeds will be used to pay fees and expenses related to the rights offering and the remainder will be used to prepay indebtedness incurred in connection with the Panamco acquisition.
Voting rights	Under our bylaws, the Series L Shares have limited voting rights.
Risk factors	See Risk Factors for information you should consider before exercising your right to purchase Series L Shares or ADSs in the offering.

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RISK FACTORS

Risks Related to our Company

Our business depends on our relationship with The Coca-Cola Company.

Approximately 93.2% of our sales volumes in 2003 were derived from sales of *Coca-Cola* trademark beverages. We produce, market and distribute *Coca-Cola* trademark beverages through standard bottler agreements that cover all of our present territories. Through its rights under the bottler agreements and as a large shareholder, The Coca-Cola Company has the ability to exercise substantial influence over the conduct of our business. See **The Coca-Cola Company and FEMSA have substantial influence on the conduct of our business.** Under our bottler agreements, The Coca-Cola Company may unilaterally set the price for its concentrate. Furthermore, in conjunction with The Coca-Cola Company, we prepare a three-year general business plan that is submitted to our board of directors for approval. The Coca-Cola Company may require that we demonstrate our financial ability to meet our plans and may terminate our rights to produce, market and distribute soft drinks in territories with respect to which such approval is withheld. The Coca-Cola Company also makes significant contributions to our marketing budget although they are not required to contribute a particular amount. In addition, we are prohibited from bottling any soft drink product or distributing other beverages without The Coca-Cola Company's authority or consent. The Coca-Cola Company has the exclusive right to import and export *Coca-Cola* trademark beverages to and from our territories. We may not transfer control of the bottler rights of any of our territories without the consent of The Coca-Cola Company.

We depend on The Coca-Cola Company to renew our bottler agreements. Our bottler agreements for Mexico expire in 2005 and 2013, renewable in each case for ten-year terms. Our bottler agreements for Colombia, Brazil and Argentina expire in 2004, renewable in each case for five-year terms (except for Argentina, which is renewable for ten-year terms). Our remaining territories are governed by bottler agreements that expire after 2005 that have similar renewal periods. There can be no assurances that The Coca-Cola Company will decide to renew any of these agreements. In addition, these agreements generally may be terminated in the event that we fail to comply with their terms. Non-renewal or termination would prevent us from selling *Coca-Cola* trademark beverages in the affected territory and would have an adverse effect on our business, financial condition, prospects and results of operations.

The Coca-Cola Company and FEMSA have substantial influence on the conduct of our business.

The Coca-Cola Company and FEMSA have significant influence on the conduct of our business and together possess the ability to control our company. The Coca-Cola Company indirectly owns 39.6% of our outstanding capital stock, representing 46.4% of our capital stock with full voting rights. The Coca-Cola Company is entitled to appoint four of our 18 directors and certain of our executive officers and, except under limited circumstances, has the power to veto significant decisions of our board of directors. FEMSA indirectly owns 45.7% of our outstanding capital stock, representing 53.6% of our capital stock with full voting rights. FEMSA is entitled to appoint 11 members of our board of directors and certain of our executive officers. The Coca-Cola Company and FEMSA together, or FEMSA acting alone in certain limited circumstances, thus 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, except in certain limited situations, have the power to determine the outcome of all actions requiring approval of our shareholders. The interests of The Coca-Cola Company and FEMSA may be different from the interests of our remaining shareholders, and they may cause us to take actions that are not in the interest of our remaining shareholders.

We have significant transactions with affiliates, particularly The Coca-Cola Company and FEMSA, that create potential conflicts of interest.

We engage in transactions with subsidiaries of both FEMSA and The Coca-Cola Company. Our transactions with FEMSA include supply agreements under which we purchase certain supplies and equipment, a service

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agreement under which a FEMSA subsidiary transports finished products from our production facilities to distribution facilities in Mexico and a service agreement under which a FEMSA subsidiary provides administrative services to our company. In addition, we have entered into cooperative marketing arrangements with The Coca-Cola Company and FEMSA. We are a party to a number of bottler agreements with The Coca-Cola Company and have also entered into a credit agreement with The Coca-Cola Company pursuant to which we may borrow up to U.S.\$250 million for working capital and other general corporate purposes. Transactions with affiliates 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.

We have recently increased our leverage as a result of the Panamco acquisition.

In connection with the acquisition of Panamco, we incurred approximately Ps.26,352 million of debt (including existing debt of Panamco). Our total indebtedness as of December 31, 2003 was Ps.29,004 million. Our debt level is now significantly higher than it has been historically. The increase in debt may reduce the amount of cash otherwise available to us to invest in our business or meet our obligations and may prevent us in the future from pursuing acquisitions and other opportunities that may present themselves to us or from obtaining additional financing or completing refinancings on terms favorable to us.

We may not achieve expected operating efficiencies in the newly acquired territories.

Through the acquisition of Panamco, we acquired new territories in Mexico as well as in the following countries in which we have not historically conducted operations: Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela and Brazil. Since the acquisition, we have undertaken a plan in the newly acquired territories to integrate our operations, to improve the utilization of assets across our territories and to implement the commercial strategies that we have historically applied in our territories in Mexico and Argentina. Conditions in these new territories are different from the conditions under which we have historically operated with less favorable consumption patterns than those experienced in Mexico and different and more challenging political and economic climates. In addition, distribution and marketing practices in our new territories differ from our historical practices. Several of these territories have a lower level of pre-sale as a percentage of total distribution than we are accustomed to having, and the product and presentation mix varies from territory to territory with customer preferences. There can be no assurance that our initiatives will reduce operating costs or maintain or improve sales in the near term or at all, which may adversely affect our sales growth and operating margins.

Competition could affect our business.

The beverage industry throughout Latin America is highly competitive. We face competition from other bottlers of soft drinks such as PepsiCo, Inc., which we refer to as PepsiCo, and from producers of low cost beverages or B brands. We also compete against beverages other than soft drinks such as water, fruit juice and sport drinks. Although competitive conditions are different in each of our territories, we compete principally in terms of price, packaging, consumer sale promotions, customer service and non-price retail incentives. 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 results of operations.

Our principal competitor in Mexico is The Pepsi Bottling Group, which we refer to as PBG. PBG is the largest Pepsi bottler worldwide and competes with *Coca-Cola* trademark beverages. We have also experienced stronger competition in Mexico from lower priced soft drinks in multi-serving presentations. In Argentina and Brazil, we compete against Companhia de Bebidas das Americas, commonly referred to as AmBev, the largest brewer in Latin America, which sells Pepsi products, in addition to a portfolio that includes local brands with flavors such as guaraná and proprietary beers. In each of our territories we compete against bottlers of Pepsi with various other bottlers and distributors of

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nationally and regionally advertised soft drinks as well as complementary beverages such as water, juice and sports drinks. In certain territories, we also compete against soft drink flavors that have a strong local presence.

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A water shortage or a failure to maintain existing concessions could affect our business.

Water is an essential component of soft drinks. We obtain water from various sources in our territories, including springs, wells, rivers and municipal water companies. In Mexico, we purchase water from municipal water companies and pump water from our own wells pursuant to concessions granted by the Mexican government. We obtain the vast majority of the water used in our soft drink production in Mexico pursuant to these concessions, which the Mexican government granted based on studies of the existing and projected groundwater supply. Our existing water concessions in Mexico may be terminated by governmental authorities under certain circumstances and their renewal depends on receiving necessary authorizations from municipal water authorities. In 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 shortage or changes in governmental regulations.

We cannot assure you that water will be available in sufficient quantities to meet our future production needs, or that our concessions and permits will not be terminated or prove sufficient to meet our water supply needs.

Increases in the prices of raw materials may increase our cost of sales and may affect our results of operations.

Our most significant raw materials are concentrate, which we acquire from companies designated by The Coca-Cola Company, sweeteners and packaging materials. Prices for concentrate are determined by The Coca-Cola Company pursuant to our bottler agreements as a percentage of the weighted average retail price, net of applicable taxes. 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 use only 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 which we operate, while the prices of certain materials used in the bottling of our products, mainly aluminum cans and plastic bottles, 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 any country in which we operate, particularly against the Mexican peso.

After concentrate, packaging and sweeteners constitute the largest portion of our raw material costs. Sugar prices in all of the countries in which we operate other than Brazil are subject to local regulations and other barriers to market entry that cause us to pay in excess of international market prices for sugar. In Mexico, sugar prices increased approximately 8% in 2003, and our ability to substitute other sweeteners has been limited by the imposition of a 20% excise tax on carbonated soft drinks produced with non-sugar sweeteners. In Venezuela, there was a shortage of sugar during the second half of 2003 due to the inability of the main sugar importers to access foreign currencies as a result of the exchange controls implemented at the beginning of 2003.

We cannot assure you that our raw material prices will not increase in the future. Increases in the prices of raw materials will increase our cost of sales and adversely affect our results of operations.

Taxes on soft drinks could affect our business.

Our products are subject to excise and value-added taxes in many of the countries in which we operate. The imposition of new taxes or increases in taxes on our products may have a material adverse effect on our business, prospects, financial conditions and results of operations. Mexico recently implemented a 20% excise tax on carbonated soft drinks produced with non-sugar sweetener. Certain countries in Central America, Argentina and Brazil have also imposed taxes on our products. We can give no assurance that any governmental authority in any country where

we operate will not impose or increase any such taxes in the future.

Regulatory developments may have an effect on 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, taxes and antitrust. The adoption of new laws or regulations in

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the countries in which we operate may increase our operating costs or impose restrictions on our operations. In particular, environmental standards became more stringent recently in several of the countries in which we operate, and we are in the process of complying with these new standards.

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries in which we operate. The imposition of these restrictions may have an adverse effect on our results of operations and financial position. Although Mexican bottlers have been free to set prices for carbonated soft drinks without governmental intervention since January 1996, such prices were once subject to statutory price controls and, later, to voluntary price restraints, which effectively limited our ability to increase prices in the Mexican market without governmental consent. We can give no assurance that governmental authorities in any country where we operate will not impose voluntary price restraints or statutory price controls.

Risks Related to the Series L Shares and the ADSs

Upon completion of the offering, you will own a smaller proportional interest in our company if you do not fully exercise your rights.

If you do not fully exercise your rights you will, at the completion of the offering, own a smaller proportional interest in our company than you owned prior to the offering. Although we cannot state the amount of this decrease in value because we do not know how many shares will be sold, dilution could be substantial.

Holders of our Series L Shares have limited voting rights.

Holders of our Series L Shares are entitled to vote only in limited circumstances. They generally may elect three of our 18 directors and are only entitled to vote on specific matters, including changes in our corporate form, certain mergers involving our company and the cancellation of the registration of our shares. See Description of Our Series L Shares Voting Rights; Transfer Restrictions. In addition, we can give no assurance that holders of our ADSs will receive notice of shareholders meetings from The Bank of New York, the depositary for our ADSs, which we refer to as the ADS depositary with sufficient time to enable holders to return voting instructions to the ADS depositary, in a timely manner.

Holders of ADSs are not entitled to attend shareholders meetings and they may only vote through the ADS depositary.

Under Mexican law, a shareholder is required to deposit its shares with a Mexican custodian in order to attend a shareholders meeting. A holder of ADSs will not be able to meet this requirement, and accordingly is not entitled to attend shareholders meetings. A holder of ADSs is entitled to instruct the ADS depositary as to how to vote the shares represented by ADSs, in accordance with procedures provided for in the deposit agreement, but a holder of ADSs will not be able to vote its shares directly at a shareholders meeting or to appoint a proxy to do so.

Holders of our ADSs may not be able to participate in any future preemptive rights offerings and as a result may be subject to a dilution of their equity interests.

Our Series L Shares are traded on the New York Stock Exchange in the form of ADSs. Under Mexican law, if we issue new shares for cash as a part of a capital increase, we must generally 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 offer or sell shares to holders of our ADSs in the United States pursuant to any preemptive rights offering (or otherwise) unless (i) we file a registration statement with the SEC with respect to that future issuance of shares or (ii) the offering qualifies for an exemption from the registration requirements of the U.S. Securities Act of 1933. In addition, under current Mexican law, sales by the ADS depository of preemptive rights and distribution of the proceeds from such sales to ADS holders are not possible. See [Description of Our Series L Shares Preemptive Rights](#).

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At the time of any 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 ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement. If we do not file a registration statement with the SEC, our ADS holders in the United States may not be able to participate in any preemptive rights offering and their equity interest would be diluted proportionately.

It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. In addition, a substantial portion of our assets and their assets are located in Mexico. As a result, it may be difficult for investors to effect service of process within the United States on these persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against these persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

The protections afforded to minority shareholders in Mexico are different from those in the United States.

Under Mexican law, the protections afforded to minority shareholders are different from those in the United States. In particular, the law concerning fiduciary duties of directors is not well developed, there is no procedure for class actions or shareholder derivative actions and there are different procedural requirements for bringing shareholder lawsuits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company.

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 of operations.

We are a Mexican corporation, and our Mexican operations are our single most important geographic segment. In the past, Mexico has experienced both prolonged periods of weak economic conditions and dramatic deteriorations in economic conditions that have had a negative impact on our company. There can be no assurances that such conditions will not return or that such conditions will not have a material adverse effect on our financial condition and results of operations.

Our business may be significantly affected by the general condition of the Mexican economy, the rate of inflation and interest rates. Decreases in the growth rate of the Mexican economy, periods of negative growth, and increases in inflation or interest rates may result in lower demand for soft drink beverages, lower real pricing or a shift to lower margin products or lower margin presentations. Because a large percentage of our costs are fixed costs, we may not be able to reduce costs and expenses, and our profit margins may suffer as a result. In addition, an increase in interest rates in Mexico would increase the cost to us of variable rate, Mexican peso-denominated funding and have an adverse effect on our financial position and results of operations.

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

A depreciation of the Mexican peso relative to the U.S. dollar would increase the cost to us of a portion of our raw materials, the price of which is paid in or determined with reference to U.S. dollars and debt obligations denominated in U.S. dollars and thereby may negatively affect our net results. A severe devaluation or 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

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purpose of making timely payments of interest and principal on our U.S. dollar indebtedness or obligations in other currencies. While the Mexican government does not currently restrict, and for many years 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. To the extent that there are currency fluctuations, they are likely to have an effect on our financial condition, results of operations and cash flows in future periods.

Political events in Mexico could affect our operations.

Mexican political events may also significantly affect our operations. In the Mexican national elections held on July 2, 2000, Vicente Fox of the *Partido Acción Nacional* (the National Action Party) or PAN, won the presidency. Although his victory ended more than 70 years of presidential rule by the *Partido Revolucionario Institucional* (the Institutional Revolutionary Party) or PRI, neither the PRI nor the PAN succeeded in securing a majority in the Mexican congress. In elections in 2003, the PAN lost additional seats in the Mexican congress and state governorships. The resulting legislative gridlock has impeded the progress of reforms in Mexico, which may adversely affect economic conditions in Mexico or our results of operations. During 2004, there will be elections for governors in ten of 32 states and for local congresses in 14 states.

Developments in other Latin American countries in which we operate may affect our business.

In addition to Mexico, we conduct operations in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina. These countries expose us to different or greater country risk than Mexico. For many of these countries, operating results in recent years have been adversely affected by deteriorating macroeconomic and political conditions. In Venezuela and Argentina, significant economic and political instability, including a contracting economy, a drastic currency devaluation, high unemployment, the introduction of exchange controls and social unrest have resulted in higher production costs and declining net sales. In Colombia, we have experienced limited disruptions in production and distribution as a result of political instability.

Our future results may be significantly affected by the general economic and financial conditions in the countries where we operate, by the devaluation of the local currency, inflation or interest rates or by political developments or changes in law. Devaluation of the local currency against the U.S. dollar may increase the operating costs in that country, and a depreciation against the Mexican peso may negatively affect the results of that country as reported in our Mexican GAAP financial statements. In addition, some of these countries may impose exchange controls that could impact our ability to purchase raw materials in foreign currencies and the ability of the subsidiaries in these countries to remit dividends abroad or make payments other than in local currencies, as is currently the case in Venezuela under regulations imposed in January 2003. As a result of these potential risks, we may experience lower demand, lower real pricing or increases in costs, which may negatively impact our results of operations.

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USE OF PROCEEDS

Assuming all of the new Series L Shares and ADSs are purchased in the offering, our net proceeds from the offering will be approximately U.S.\$219,031,348. The Series L subscription price will be payable in Mexican pesos, and the actual amount we receive from the subscription of new Series L Shares is subject to fluctuations in exchange rates prior to the expiration date. Nonetheless, there can be no assurance that any person will subscribe for Series L Shares or ADSs in the offering. The aggregate net proceeds will be used by Coca-Cola FEMSA to pay fees and expenses related to the rights offering, and the remainder will be used to prepay indebtedness incurred in connection with the Panamco acquisition.

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The following table sets forth our consolidated capitalization under Mexican GAAP as of March 31, 2004 on an actual basis and on a pro forma basis as adjusted to reflect the completion of the offering, assuming all of the new Series L Shares and ADSs are purchased in the offering.

	As of March 31, 2004	
	(millions of Mexican pesos)	
	Actual	Pro Forma As Adjusted
Short-term debt	Ps. 2,007.2	Ps. 2,007.2
Long-term debt	25,587.7	23,140.2
Majority Shareholders equity		
Capital stock	2,697.1	2,741.0
Additional paid in capital	11,539.8	13,943.4
Retained earnings from prior years	11,416.5	11,416.5
Net income for the period	868.4	868.4
Cumulative translation adjustment	955.7	955.7
Cumulative result of holding nonmonetary assets	(3,965.6)	(3,965.6)
Total majority shareholders equity	23,511.9	25,959.4
Total capitalization	51,106.8	51,106.8

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UNAUDITED PRO FORMA INCOME STATEMENT

We prepared the following unaudited pro forma consolidated income statement information for the year ended December 31, 2003 to illustrate the estimated effects of our acquisition of 100% of Panamco on May 6, 2003, as if the acquisition had occurred on January 1, 2003.

The unaudited pro forma financial information was prepared in accordance with Mexican GAAP. A reconciliation of unaudited pro forma majority net income to U.S. GAAP is provided in the notes below.

We have prepared the unaudited pro forma financial information for information purposes only. It does not purport to indicate the results of operations that would actually have occurred had the transaction been in effect on the date indicated or which may be expected to be achieved in the future.

The following unaudited pro forma financial information should be read in conjunction with Operating and Financial Review and Prospects and Notes 25 and 26 to our consolidated financial statements for the year ended December 31, 2003, each of which is contained in our annual report on Form 20-F for the year ended December 31, 2003, which is incorporated by reference into this prospectus.

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For the year ended December 31, 2003

Amounts expressed in thousands of constant Mexican Pesos (Ps.)

	Coca-Cola				
	FEMSA	Panamco			
	Income	Income	Pro forma		
	Statement	Statement	Adjustments		Pro Forma
Net sales	Ps. 35,486,829	Ps. 8,224,123	Ps.		Ps. 43,710,952
Other operating revenues	242,588	52,573			295,161
Total revenues	35,729,417	8,276,696			44,006,113
Cost of sales	17,980,349	4,496,716	(20,670)	(2(a))	22,456,395
Gross profit	17,749,068	3,779,980	20,670		21,549,718
Operating expenses:					
Administrative	2,333,900	608,461	(4,291)	(2(a))	2,938,070
Selling	8,704,808	2,191,336	(51,490)	(2(a))	10,844,654
	11,038,708	2,799,797	(55,781)		13,782,724
Income from operations	6,710,360	980,183	76,451		7,766,994
Integral result of financing:					
Interest expense	1,551,452	317,408	319,352	(2(b))	2,188,212
Interest income	(227,039)	(53,167)			(280,206)
Foreign exchange (gain) loss, net	2,027,922	237,334	(59,578)	(2(b))	2,205,678
(Gain) loss on monetary position	(870,843)	(294,943)	(229,185)	(2(b))	(1,394,971)
	2,481,492	206,632	30,589		2,718,713
Other expense, net	238,586	98,982	(23,314)	(2(a))	314,254
Income for the year before income taxes and employee profit sharing	3,990,282	674,569	69,176		4,734,027
Income taxes and employee profit sharing	1,658,229	280,713	28,362	(2(c))	1,967,304

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Net income for the year	Ps. 2,332,053	Ps. 393,856	Ps. 40,814	Ps. 2,766,723
Minority net income	20,211	2,960		23,171
Majority net income	Ps. 2,311,842	Ps. 390,896	Ps. 40,814	Ps. 2,743,552
Weighted average shares outstanding (in thousands)	1,704,250		142,124 (2(d))	1,846,374
Majority net income per share	Ps. 1.36			Ps. 1.49