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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, 2000

Commission file number 1-12260

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

(Exact name of registrant as specified in its charter)

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

United Mexican States
(Jurisdiction of incorporation or organization)

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

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. (for listing purposes only)
8.95% Notes due November 1, 2006	New York Stock Exchange, Inc.

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, 2000 was:

726,750,000	Series A Shares, without par value
427,500,000	Series D Shares, without par value
270,750,000	Series L Shares, without par value

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 which financial statement item the registrant has elected to follow.

☐ Item 17 ☒ Item 18

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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. de C.V. and our subsidiaries on a consolidated basis.

The term "soft drink" as used in this Annual Report refers generally to non-alcoholic beverages, including those carbonated or containing natural or artificial flavors and sweeteners. The term "unit case" refers to 192 ounces of finished beverage product (24 eight-ounce servings) and, when applied to post-mix syrup and concentrate, refers to the volume of concentrate or post-mix syrup that is required to produce 192 ounces of finished beverage product.

U.S. GAAP

We publish our financial statements in Mexican pesos and prepare such financial statements in accordance with generally accepted accounting principles in Mexico ("Mexican GAAP"). Mexican GAAP differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Notes 21 and 22 to the Consolidated Financial Statements provide a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to our company and a reconciliation to U.S. GAAP of majority net income and majority stockholders' equity.

Included elsewhere in this Form 20-F are our Consolidated Financial Statements. The Consolidated Financial Statements were prepared giving effect to Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," and Bulletin B-12, "Statement of Changes in Financial Position," issued by the Mexican Institute of Public Accountants. See "Item 3. Key Information—Selected Financial Data" for a discussion of the effects of Bulletins B-10 and B-12 on our financial statements.

As a result of our territorial acquisitions and the introduction of new products in the past five years, consolidated results of operations for 1996, 1997, 1998, 1999 and 2000 are not directly comparable.

Currency Translation

Coca-Cola FEMSA de Buenos Aires S.A., our wholly owned Argentine subsidiary, maintains its financial records in Argentine pesos, which are translated into Mexican pesos for purposes of consolidation. In order to consolidate financial information for Coca-Cola FEMSA de Buenos Aires with our other financial information for a particular period, we translate such subsidiary's information using the product of the U.S. dollar/Argentine peso exchange rate and the Mexican peso/U.S. dollar exchange rate, in each case as in effect at the end of such period. Prior to 1998, we restated Coca-Cola FEMSA de Buenos Aires' financial information for prior periods by applying the Argentine Wholesale Price Index ("AWPI"). Currently, we restate this information for prior periods by applying the Argentine Consumer Price Index ("ACPI") and then translate such restated information as described above using the exchange rate in effect at the end of the most recent completed period for which financial results are being reported. We believe that this method of consolidating our Argentine operations with respect to prior periods is reasonable.

For purposes of consolidation, all amounts recorded in Argentine pesos have been translated into Mexican pesos using the product of the U.S. dollar/Mexican peso exchange rate of $1.00 = Ps. 9.61 at December 31, 2000 (as described below) and a U.S. dollar/Argentine peso exchange rate of $1.00 = A$1.00 at December 31, 2000, which resulted in a Mexican peso to Argentine peso conversion rate of Ps. 9.61 to A$1.00.

References herein to "pesos" or "Ps." are to the lawful currency of Mexico. We publish our financial statements in pesos.

References herein to "U.S. dollars," "U.S. $" or "$" are to United States dollars. This Annual Report contains translations of certain 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 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 pesos at a rate of U.S. $1.00 to Ps. 9.61, the U.S. dollar/Mexican peso exchange rate at which we were able to purchase U.S. dollars at December 31, 2000. This rate approximates the noon buying rate for pesos as published by the Federal Reserve Bank of New York (the "Noon Buying Rate"). At December 31, 2000, the Noon Buying Rate was Ps. 9.618 to U.S. $1.00. The peso/U.S. dollar exchange rate historically has been highly volatile and, accordingly, the translation to U.S. dollars at the December 31, 2000 exchange rate may not accurately represent the financial condition of our company in U.S. dollar terms at a later date. On June 18, 2001, the Noon Buying Rate was Ps. 9.053 to U.S. $1.00. See "Item 3. Key Information — Exchange Rates" for information regarding exchange rates since January 1, 1996.

References herein to "Argentine pesos" or "A$" are to the lawful currency of the Republic of Argentina, commonly known as Argentina. The Federal Reserve Bank of New York does not publish a noon buying rate for Argentine pesos. At December 31, 2000, the offered selling rate for U.S. dollars of the Central Bank of Argentina was A$1.00 to $1.00.

The term "billion" as used in this Annual Report means one thousand million. Certain amounts in this Annual Report may not total due to rounding.

Forward-Looking Information

This Annual Report contains words such as "believe," "expect," "anticipate" and similar expressions, which identify forward-looking statements. Use of such words reflects our views about future events and financial performance. Actual results could differ materially from those projected in such 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 our affiliated companies, movements in the prices of raw materials, competition with our bottling operations, significant developments in the Mexican or Argentine economic or political situations 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 dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Items 1-2. Not Applicable

Item 3. Key Information

SELECTED FINANCIAL DATA

The following table presents selected financial information of our company and our subsidiaries for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the Notes thereto. The Consolidated Financial Statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from U.S. GAAP. Notes 21 and 22 to the Consolidated Financial Statements provide a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to our company and a reconciliation to U.S. GAAP of majority net income and majority stockholders' equity.

The financial statements at and for the years ended December 31, 2000, 1999 and 1998 of Coca-Cola FEMSA de Buenos Aires were prepared in accordance with our policies and generally accepted accounting principles in Argentina, which are similar to Mexican GAAP (except with respect to comprehensive inflation accounting, which was discontinued in Argentina as of August 1995 due to the low rates of inflation prevailing in Argentina). Coca-Cola FEMSA de Buenos Aires maintains its books in Argentine pesos. In order to consolidate financial information for this subsidiary for a particular period with other financial information of our company, we translate the subsidiary's information using the product of the U.S. dollar/Argentine peso exchange rate and the peso/U.S. dollar exchange rate, in each case as in effect at the end of such period. We restated the subsidiary's financial information for prior periods by applying the AWPI, but began restating the information in December 1998 by applying the ACPI. We then translate such restated information as described above, using the exchange rate in effect at the end of the most recent completed period for which financial results are being reported. For purposes of this Annual Report, all amounts recorded in Argentine pesos are translated into pesos using the product of a U.S. dollar/Mexican peso exchange rate of $1.00 = Ps. 9.61 and a U.S. dollar/Argentine peso exchange rate of $1.00=A$1.00 for December 31, 2000, which results in a conversion rate of Ps. 9.61 to A$1.00.

Included elsewhere in this Annual Report are our Consolidated Financial Statements. The Consolidated Financial Statements were prepared giving effect to Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," and Bulletin B-12, "Statement of Changes in Financial Position," issued by the Mexican Institute of Public Accountants. Generally, Bulletin B-10 is designed to provide for the recognition of certain effects of inflation by requiring us to restate non-monetary liabilities using the National Consumer Price Index ("NCPI"), to restate the components of stockholders' equity using the NCPI, and to record gains or losses in purchasing power from holding monetary liabilities or assets. Through December 31, 1996, Bulletin B-10 further required that non-monetary assets be restated at replacement cost or using the NCPI; for purposes of the Consolidated Financial Statements, non-monetary assets have been restated at replacement cost. On January 1, 1997, the Fifth Amendment to Bulletin B-10 went into effect, which establishes an option to restate fixed assets by: (i) applying the NCPI; or (ii) for domestic fixed assets applying the NCPI, and for imported equipment, applying the inflation rate of the country of origin, then translated at the year-end exchange rate. We adopted the second option. Bulletin B-10 requires restatement of all financial statements to constant pesos as of the date of the most recent balance sheet presented. Bulletin B-12 requires that the statement of changes in financial position reconcile changes from the restated historical balance sheet to the current balance sheet. Accordingly, all data in the Consolidated Financial Statements, and the selected financial information derived from the Consolidated Financial Statements set forth below, have been stated or restated in constant pesos as of December 31, 2000. The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to U.S. GAAP. See Notes 21 and 22 to the Consolidated Financial Statements.

The selected financial information contained herein 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.

	At or for the Year ended December 31,[1]					
	2000	2000	1999	1998	1997	1996
	(millions of U.S. dollars or constant Mexican pesos at December 31, 2000 except per share data)					
Income Statement Data:						
Mexican GAAP						
Net Sales	$ 1,717.2	Ps.16,501.8	Ps.15,100.4	Ps.14,366.3	Ps.12,536.1	Ps.11,393.2
Total revenues	1,725.8	16,584.8	15,155.2	14,477.4	12,642.0	11,433.8
Cost of sales	856.0	8,225.7	7,989.5	7,994.2	6,879.3	6,465.8
Gross profit	869.8	8,359.0	7,165.7	6,483.2	5,762.7	4,968.0
Operating expenses	551.7	5,301.4	4,827.2	4,476.5	3,960.8	3,820.3
Goodwill amortization	12.2	117.3	125.5	133.8	107.5	101.6
Income from operations	306.0	2,940.3	2,213.0	1,872.9	1,694.4	1,046.1
Net income	134.4	1,292.0	1,044.4	739.2	976.0	837.8
Majority income	134.4	1,292.0	1,044.4	739.2	944.5	806.5
Majority income per share[2]	0.09	0.91	0.73	0.52	0.66	0.57
U.S. GAAP						
Net Sales	$ 1,717.2	Ps.16,501.8	Ps.15,416.3	Ps.15,441.3	Ps.13,389.6	Ps.12,890.8
Total revenues	1,725.8	16,584.8	15,473.2	15,576.9	13,515.6	12,941.2
Income from operations[3]	297.2	2,856.4	2,110.0	1,839.1	1,667.6	979.5
Net income	145.5	1,398.5	1,066.5	561.4	941.7	875.9
Majority income	145.5	1,398.5	1,066.5	561.4	903.6	830.8
Majority income per share[2]	0.10	0.98	0.75	0.39	0.63	0.58
Balance Sheet Data:						
Mexican GAAP						
Total assets	$ 1,328.5	Ps.12,767.2	Ps.11,908.3	Ps.12,208.4	Ps.11,554.5	Ps.10,975.1
Long-term debt	305.5	2,935.7	3,130.3	3,685.1	3,627.0	4,292.7
Majority stockholders' equity	667.0	6,410.3	6,276.6	5,504.1	5,091.0	4,549.4
Total stockholders' equity	667.0	6,410.3	6,276.6	5,504.1	5,091.0	5,031.3
U.S. GAAP						
Total assets	$ 1,372.4	Ps.13,188.8	Ps.12,513.1	Ps.13,183.1	Ps.12,381.6	Ps.12,146.5
Long-term debt	305.5	2,935.7	3,131.6	3,695.2	3,643.7	4,339.5
Majority stockholders' equity	674.8	6,485.0	5,509.6	5,028.1	4,719.8	4,245.9
Total stockholders' equity	674.8	6,485.0	5,509.6	5,028.1	4,719.8	4,774.6
Other Data:						
Mexican GAAP						
Depreciation	$ 73.4	Ps. 705.2	Ps. 604.1	Ps. 462.9	Ps. 374.8	Ps. 332.9
Capital expenditures	93.6	900.0	943.5	1,692.1	1,530.3	1,679.6
U.S. GAAP						
Depreciation	$ 73.4	Ps. 705.2	Ps. 619.5	Ps. 505.1	Ps. 402.3	Ps. 354.2
Capital expenditures	93.6	900.0	953.1	1,754.2	1,794.8	2,390.7

[1] The gain on monetary position, resulting from the liabilities incurred in connection with the acquisition of Coca-Cola FEMSA de Buenos Aires, was computed using the inflation rate of Argentina because the liability was considered to be an integral part of the investment in such subsidiary. In addition, the foreign exchange loss generated by the liability was recorded directly in stockholders' equity. See Note 4 to the Consolidated Financial Statements.

[2] Majority income per share was computed on the basis of 1,425 million shares outstanding after giving effect to the 3 to 1 stock split effected on January 9, 1998. See "—Dividends and Dividend Policy."

[3] We include employee profit sharing as part of income from operations for purposes of U.S. GAAP.

Exchange Rates

The following tables set forth, for the periods indicated, the period-end, average, high and low noon buying rate as published by the Federal Reserve Bank of New York, expressed in pesos per U.S. dollar. The rates have not been restated in constant currency units. All amounts are stated in pesos.

	Exchange Rate			
	High	**Low**	**Average[1]**	**Period End**
1996	8.05	7.33	7.63	7.88
1997	8.05	7.74	7.92	7.96
1998	10.63	8.04	9.15	9.90
1999	10.60	9.24	9.56	9.48
2000	10.09	9.18	9.47	9.62
First Quarter 2001 (January 1 – March 31)	9.97	9.49	9.62	9.49

(1) Average of end of month rates.

	Exchange Rate	
	High	**Low**
2000:		
January	9.6400	9.4015
February	9.5970	9.3540
March	9.3630	9.1825
April	9.5010	9.2900
May	9.6270	9.3340
June	10.0870	9.4900
July	9.5570	9.3290
August	9.3880	9.1830
September	9.4750	9.2075
October	9.6960	9.3990
November	9.6480	9.3710
December	9.6180	9.3700
2001:		
January	9.9720	9.6650
February	9.7800	9.6570
March	9.7060	9.4850
April	9.4225	9.1870
May	9.2915	8.9460
June[1]	9.1800	9.0450

(1) From the period beginning June 1, 2001 until June 18, 2001.

Unless otherwise indicated, U.S. dollar amounts have been translated from pesos at a rate of U.S. $1.00 to Ps. 9.61, the U.S. dollar/Mexican peso exchange rate at which we were able to purchase U.S. dollars at December 31, 2000.

Since November 1991, Mexico has had a free foreign exchange market. Prior to December 21, 1994, Banco de México maintained the peso/U.S. dollar exchange rate within a range prescribed by the Mexican government through intervention in the foreign exchange market. Within the band, Banco de México generally intervened to reduce day-to-day fluctuations in the exchange rate. In December 1994, the Mexican government suspended intervention by Banco de México and allowed the peso to float freely against the U.S. dollar. Factors contributing to this decision included the size of Mexico's current account deficit, the level of Banco de México's foreign exchange reserves, rising interest rates for other currencies (especially the U.S. dollar), and reduced confidence in the Mexican economy on the part of international investors. The peso declined sharply in

December 1994 and continued to fall under conditions of high volatility in 1995. In 1996, the peso depreciated more slowly and was less volatile.

Relative stability characterized the foreign exchange markets during the first three quarters of 1997. The fall of the Hang Seng Index of the Hong Kong Stock Exchange on October 24, 1997 marked the beginning of a period of increased volatility in the foreign exchange markets with the peso falling over 10% in just a few days. During 1998, the foreign exchange markets experienced volatility as a result of the financial crises in Asia and Russia and the financial turmoil in countries such as Brazil and Venezuela.

During 1999 and 2000, the peso has been relatively stable each year largely due to the supporting factors of: (i) high U.S. demand for Mexican exports during most of 1999 and 2000 and (ii) increased confidence of international investors (partially due to the 2000 presidential election process and outcome) resulting in a strong increase in foreign investment in Mexico. Despite the recent improvements in Mexico's macroeconomic performance, we can make no assurances that the Mexican government will maintain its current policies with regard to the peso or that the peso will not further depreciate or appreciate significantly in the future.

We pay all cash dividends in pesos. As a result, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of our ADSs on conversion by the depositary for our ADSs of cash dividends on the shares represented by such ADSs. Fluctuations in the exchange rate between the peso and the U.S. dollar have affected the U.S. dollar equivalent of the peso price of our shares on the Mexican Stock Exchange and, consequently, have also affected the market price of our ADSs.

DIVIDENDS AND DIVIDEND POLICY

The table below sets forth the nominal amount of dividends paid per share each year in pesos and translated into U.S. dollars at the indicated exchange rates on each of the respective payment dates. On January 9, 1998, a three-for-one stock split of our common stock was effected. Accordingly, all historical weighted average share and per share amounts have been restated to reflect the stock split.

Year	Pesos per Share (nominal)	U.S. dollars per Share
1996	0.031	0.004
1997	0.070	0.009
1998	0.096	0.011
1999	0.123	0.013
2000	0.153	0.015

On March 1, 2001, the holders of our Series A Shares and our Series D Shares approved a cash dividend of Ps. 0.205 per share for 2000 earnings payable to holders of Series A Shares, Series D Shares and Series L Shares. Such dividend was paid on March 28, 2001.

The declaration, amount and payment of dividends are subject to approval by holders of all series of our stock voting as a single class, excluding the Series L Shares, 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 our future dividends.

RISK FACTORS

Risks Related to our Company

Our company's business depends significantly on our relationship with The Coca-Cola Company.

Approximately 99% of our net sales in 2000 were derived from the distribution of Coca-Cola trademark beverages. We produce, market and distribute Coca-Cola trademark beverages through standard bottler agreements. These bottler agreements with The Coca-Cola Company cover all of our present territories. Through its rights under the bottler agreements, The Coca-Cola Company has the ability to exercise substantial influence over the conduct of our business. See "Item 4. Information on the Company—Bottler Agreements."

Under our bottler agreements, The Coca-Cola Company may set the price for its concentrate unilaterally. 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. We are prohibited from bottling any soft drink product except under the authority of, or with the consent of, The Coca-Cola Company. The Coca-Cola Company has the exclusive right to import and export Coca-Cola trademark beverages to and from Mexico and Argentina. In addition, we may not transfer control of our bottling rights for a territory without the consent of The Coca-Cola Company.

We are dependent on The Coca-Cola Company to renew our bottler agreements. The two Mexican bottler agreements have terms of ten years and will each expire on June 20, 2003. The Buenos Aires bottler agreement also has a term of ten years and will expire on September 1, 2004. Our bottler agreements are automatically renewable for subsequent ten-year terms, subject to non-renewal by either party with notice to the other party. Our bottler agreements, and therefore our right to distribute Coca-Cola trademark beverages, are subject to termination by The Coca-Cola Company in the event of default by us or upon expiration at their term. No assurance can be given that our bottler agreements will be renewed upon the expiration of their respective terms. Non-renewal of the bottler agreements would have a material adverse effect on our business, financial condition and results of operations. See "Item 4. Information on the Company—Bottler Agreements."

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

The cumulative effect of our relationships with The Coca-Cola Company and Fomento Económico Mexicano, S.A. de C.V., a Mexican beverage company commonly known as FEMSA, gives each of these corporations significant influence on the conduct of our business and gives them, together, the ability to control our company. The Coca-Cola Company indirectly owns 30% of our outstanding capital stock, representing 37% of the voting rights in our company. The Coca-Cola Company is entitled to appoint four of our 16 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 51% of our outstanding capital stock, representing 63% of the voting rights in our company. 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. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders" and "—The Shareholders Agreement."

If reinstated by the Mexican government, voluntary price restraints or statutory price controls would limit our ability to increase prices and may have an adverse effect on our results.

Prior to November 1992, carbonated soft drinks were subject to statutory price controls in Mexico. From November 1992 to December 1995, the industry was subject to voluntary price restraints, which effectively limited our ability to increase prices in the Mexican market without the consent of the Mexican government. Price increases for certain beverage presentations were negotiated between the Mexican government and the *Asociación Nacional*

de Productores de Refrescos y Aguas Carbonatadas, A.C. (the National Association of Bottlers). Based on an agreement between the Mexican government and the National Association of Bottlers, since January 1, 1996, Mexican bottlers have been free to set prices for all presentations without governmental participation. We can give no assurance that the Mexican government will not reimpose voluntary price restraints or statutory price controls. See "Item 4. Information on the Company—Regulation—Price Controls."

A water supply shortage could adversely affect our business.

Water is an essential component of soft drinks. In Argentina, we obtain water from municipal water companies, and we do not currently require a permit by the Argentine government to acquire this water. In Mexico, we both purchase water from municipal water companies and pump water from our own wells pursuant to concessions granted by the Mexican government. We obtain approximately 90% and 100%, respectively, of the water used in our soft drink production in the Valley of Mexico and the Southeast Territory pursuant to these concessions, which the Mexican government granted based on studies of the existing and projected groundwater supply. Limited availability of water was a factor in our decision to close our plant in Tuxtla Gutíerrez, Chiapas in 1989 and transfer production to our nearby plant at San Cristóbal de las Casas, Chiapas. Our existing water concessions may be terminated by the Mexican government under certain circumstances. See "Item 4. Information on the Company—Regulation—Water Supply Law."

We believe that our existing water supply satisfies our current water requirements in Mexico and Argentina. We cannot assure you, however, that groundwater will be available in sufficient quantities to meet our future production needs, or that our concessions in Mexico, or permits in Argentina if required in the future, will not be terminated by the Mexican or Argentine governments or prove insufficient to meet our water supply needs.

Increases in the price of sugar or high fructose corn syrup may increase our cost of sales and may adversely affect our results of operations.

Sugar is one of the principal raw materials that we use to produce soft drinks. We may also use high fructose corn syrup ("HFCS") as a sweetener in our products. Increases in the price of sugar or HFCS, including increases that may occur in the event that import duties change or import restrictions on sugar or HFCS are imposed in Mexico or Argentina, will increase our cost of sales and adversely affect net earnings to the extent we are unable to increase our sales prices. We cannot assure you that there will not be price increases or that import restrictions on sugar or HFCS will not be imposed or that the level of import duties will not be increased. See "Item 4. Information on the Company—Raw Materials."

A shortage of supplies or materials used in the production of our products could adversely affect our business.

Pursuant to the bottler agreements with The Coca-Cola Company, we are required to purchase concentrate exclusively from The Coca-Cola Company. In addition, we must purchase other supplies, including containers, closures, cases, cartons and other packages and labels, only from manufacturers approved by The Coca-Cola Company. See "Item 4. Information on the Company—Raw Materials." None of the materials or supplies that we use is presently in short supply, although the supply of specific materials could be adversely affected by strikes, weather conditions, governmental controls or national emergency situations. Any shortage of these supplies or materials could adversely affect our business, results of operations, prospects and financial condition.

Competition from other bottlers in Mexico and Buenos Aires could adversely affect our business.

The beverage industries in the Mexican and Buenos Aires Territories are highly competitive. Our principal competitors in the Mexican Territories are bottlers of PepsiCo., whose territories are not coextensive with our own. Our principal competitor in Buenos Aires is Buenos Aires Embotelladora S.A. ("BAESA"), a large PepsiCo. bottler. In addition, in each of our territories we compete with various other bottlers and distributors of nationally and regionally advertised soft drinks. Our ability to maintain existing prices or implement price increases depends to a great extent on competitive conditions and the effect of such prices on sales volume. Price discounting has been a means of maintaining or increasing sales volume share, particularly in Buenos Aires, but may have an adverse effect on our results of operations. Although we believe that we are well positioned to meet our objective of maintaining

or increasing our sales volume at satisfactory price levels in the various territories in which we compete, competition is likely to continue, and we can give no assurance that we can meet such objective or that price discounting will not continue to have an adverse effect on our results of operations.

Our compliance with environmental regulations in Mexico and Argentina could result in material adverse effects on our results of operations or financial condition.

Environmental laws and regulations and their enforcement are becoming increasingly more stringent in both Mexico and Argentina. To the extent that any increased costs of compliance and remediation cannot be passed on to our customers, such costs may have a material adverse effect on our future results of operations or financial condition.

Risks Related to our Controlling Shareholders and Capital Structure

A significant percentage of our outstanding capital stock and all of the voting rights are held by FEMSA and The Coca-Cola Company, which effectively control the management of our company and whose interests may differ from those of our other shareholders.

The Coca-Cola Company indirectly owns 30% of our outstanding capital stock, representing 37% of the voting rights in our company, and FEMSA indirectly owns 51% of our outstanding capital stock, representing 63% of the voting rights in our company. Consequently FEMSA acting alone or both The Coca-Cola Company and FEMSA acting together have the power to elect a majority of the members of our board of directors and play a significant or controlling role in the outcome of substantially all matters to be decided by our shareholders. The interests of The Coca-Cola Company and FEMSA may differ from those of our other shareholders. See “Item 7. Major Shareholders and Related Party Transactions—Major Shareholders” and “Item 10. Additional Information—Bylaws—Voting Rights.”

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 one of our sixteen directors and are only entitled to vote on specific matters, such as changes in our corporate form, certain mergers involving our company and the cancellation of the registration of our shares. See “Item 7. Major Shareholders and Related Party Transactions—Major Shareholders” and “Item 10. Additional Information—Bylaws—Voting Rights.” In addition we can give no assurance that holders of our ADSs will receive notices of shareholder meetings from The Bank of New York, the depositary for our ADSs, with sufficient time to enable such holders to return voting instructions to the depositary in a timely manner.

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 equity interest.

Our shares are traded on the New York Stock Exchange in the form of ADSs. Each ADS represents ten Series L Shares. 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 be permitted to allow holders of our ADSs in the United States to exercise any preemptive rights in any future capital increases unless (i) we file a registration statement with the U.S. Securities and Exchange Commission (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. 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 ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We can give no assurance that we will file a registration statement with the SEC to allow holders of our ADSs in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, sales by the depositary of preemptive rights and distribution of the proceeds from such sales to ADS holders are not

possible. As a result, the equity interest of our ADS holders would be diluted proportionately. See "Item 10. Additional Information—Bylaws—Preemptive Rights."

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 such 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 such 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.

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

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 agreement under which a FEMSA subsidiary transports finished products from our production facilities to our 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 a cooperative marketing arrangement with The Coca-Cola Company. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions." Transactions with affiliates may create the potential for conflicts of interest. We have not established specific procedures applicable to transactions with affiliates to guard against conflicts of interest, but we have in practice sought to engage in such transactions on an arms-length basis.

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

Our bylaws restrict the ability of non-Mexican shareholders to invoke the protection of their governments with respect to their rights as shareholders.

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be considered as Mexican in respect of their ownership interests in our company and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in our company. If you invoke such governmental protection in violation of this agreement, your shares could be forfeited to the Mexican government.

Developments in other emerging market countries may affect prices of our ADSs.

As is the case with respect to securities of issuers from other emerging markets, the market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, prices of both Mexican debt securities and Mexican equity securities dropped substantially as a result of developments in Russia, Asia and Brazil. There can be no assurance that the market value of the ADSs and Series L Shares would not be adversely affected by events elsewhere, especially in emerging market countries.

Exchange rate fluctuations may affect the value of our securities.

Fluctuations in the exchange rate between the peso and the U.S. dollar will affect the U.S. dollar value of an investment in our equity securities and of dividend and other distribution payments on those securities. See "—Key Information—Exchange Rates."

Risks Related to Mexico

Economic developments in Mexico may adversely affect our business and results of operations.

We are a Mexican corporation, and with the exception of our Argentine subsidiary, our subsidiaries are also Mexican corporations. As a result, our business may be significantly affected by the general condition of the Mexican economy, by devaluation of the peso, by inflation and high interest rates in Mexico, or by political developments in Mexico.

Mexico has experienced adverse economic conditions.

Mexico experienced a severe economic crisis following the devaluation of the peso in December 1994. In recent years, economic crises in Asia, Russia, Brazil and other emerging markets have adversely affected the Mexican economy and could do so again. In 1999, Mexico's gross domestic product, or GDP, increased 3.7% and inflation was 12.3%. In 2000, inflation declined to 9.0%, and according to preliminary figures, real GDP increased by 6.9% in real terms in 2000, as compared with 1999.

If the Mexican economy falls into a recession or if inflation and interest rates increase significantly, our business, financial condition and results of operations could suffer material adverse consequences because, among other things, demand for soft drink beverages may decrease as consumers find it more difficult to pay for our products.

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

Our sales volume may decrease following a significant devaluation or depreciation of the peso if consumption of soft drink beverages declines as a result. Although the value of the peso relative to the U.S. dollar has stabilized since 1998, any future depreciation or devaluation of the peso is likely to reduce our sales volume, which may have a material adverse effect on our results of operations.

Declines in the value of the peso relative to other currencies increase our interest costs in pesos relative to our indebtedness denominated in such other currencies. Such declines could also cause us to register foreign exchange losses and could adversely affect our ability to meet our interest and principal obligations under our indebtedness. As of December 31, 2000, all of our indebtedness was denominated in U.S. dollars, and we may in the future incur additional non-peso-denominated indebtedness. The value of the peso has been subject to significant fluctuations with respect to the U.S. dollar in the past and may be subject to significant fluctuations in the future. For example, from January 1, 1995 to March 31, 1996, the Mexican peso depreciated 50.8% to Ps. 7.5375

per U.S. dollar and fluctuated from a high, relative to the U.S. dollar, of Ps. 5.00 to a low, relative to the U.S. dollar, of Ps. 8.14.

Furthermore, severe devaluation or depreciation of the peso may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our indebtedness. 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 pesos into U.S. dollars or to transfer other currencies out of Mexico, the government could institute restrictive exchange rate policies in the future. To the extent that there are currency fluctuations, they are likely to continue to have an effect on our financial condition, results of operations and cash flows in future periods.

Although the value of the peso/U.S. dollar exchange rate has stabilized in recent years, we can give no assurance that the peso will not depreciate in value relative to the U.S. dollar in the future.

High levels of inflation and high interest rates in Mexico could adversely affect our financial condition and results of operations.

Mexico has experienced high levels of inflation in recent years. The annual rate of inflation, as measured by changes in the National Consumer Price Index, was 18.6% for 1998, 12.3% for 1999, and 9.0% for 2000. On June 12, 2001, the 28-day *Cetes* rate was 10.39%. High interest rates in Mexico may adversely affect our costs and thus our financial condition and results of operations.

Political events in Mexico, including the recent transition to a new presidential administration, could affect Mexican economic policy and our operations.

Mexican political events may also significantly affect our operations and the performance of Mexican securities, including our securities. In the Mexican national elections held on July 2, 2000, Vicente Fox of the opposition *Partido Acción Nacional* (National Action Party or PAN) won the presidency. 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 Congress or Senate.

President Fox assumed office on December 1, 2000, and to date, there has not been a change within the Mexican government that has resulted in changes in Mexico's economic policies that may adversely affect our business. A change in economic policy, as well as currency instability, could have a material adverse effect on our business, financial condition, prospects and results of operation.

Risks Related to Argentina

Economic developments in Argentina may adversely affect our business and results of operations.

A substantial portion of our operations and properties are located in Argentina. As a result, our business may be significantly affected by the general condition of the Argentine economy or by political developments in Argentina.

Argentina has experienced adverse economic conditions, and developments in the Argentine economy could adversely affect our business and results of operations.

The Argentine economy has been in a period of recession for the past three years. During 2000, Argentina's gross domestic product decreased 0.5%, while inflation fell 0.9% as measured by the consumer price index and increased 3.8% as measured by the wholesale price index.

Argentina experienced high rates of inflation in the 30 years prior to 1991, resulting in significant devaluations of its currency. Although Argentina has developed a number of corrective mechanisms to reduce the negative effects of inflation, periods of substantial inflation have had and may continue to have significant effects on

the Argentine economy and Coca-Cola FEMSA de Buenos Aires. While the Argentine government's economic program has substantially reduced the levels of inflation for a more prolonged period than past economic programs, there can be no assurance that inflation will continue at such relatively reduced rates over the long term.

As a result of inflationary pressures, the Argentine currency was devalued numerous times prior to 1991. Although over long periods, devaluations have generally correlated with the rates of inflation, over shorter periods, such governmental actions have resulted in significant fluctuations in the real currency exchange rate between the Argentine currency and the U.S. dollar. Since April 1, 1991, the Argentine currency has been freely convertible into U.S. dollars under a convertibility plan whereby the Argentine government is obligated by law to sell U.S. dollars at a fixed rate of not more than one Argentine peso per U.S. dollar. However, on April 16, 2001, a legislative proposal was submitted to the Argentine Congress to modify the current convertibility plan, proposing that the Argentine peso be convertible for the U.S. dollar equivalent of the simple value average of one U.S. dollar and one European euro, rather than on the current one-to-one basis, if and when the European euro and U.S. dollar achieve parity in terms of value. We can give no assurance that this proposal will be enacted in Argentina, or that it will not result in a devaluation of the Argentine currency.

Because domestic demand for our products broadly reflects prevailing conditions in the Argentine economy, contraction in the domestic economy may reduce demand for our soft drink products and may adversely affect our business. If the Argentine economy continues to experience extended periods of slow or negative growth or experiences significant inflation and a devaluation of the Argentine peso, our business, financial condition and results of operations could suffer material adverse consequences.

Political events in Argentina could affect Argentine economic policy and our operations.

The Argentine government has historically exercised significant influence over the Argentine economy, and governmental actions concerning the economy will continue to have an important effect on companies operating in Argentina, including our subsidiary, Coca-Cola FEMSA de Buenos Aires.

In addition to the slow or negative economic growth which the Argentine economy has experienced recently, the Argentine political and regulatory environment has also exhibited instability. In October 2000, Argentina's president, President de la Rúa, replaced several ministers and restructured his cabinet. The Argentine government recently enacted several laws and other government and tax reform initiatives designed to limit primary and public spending, increase liquidity in the banking systems, encourage business investment, and further deregulate the Argentine economy. Moreover, in March 2001, the Argentine Congress passed the Law of Delegation of Legislative Authority, which delegated to the executive branch broad powers to enact measures and structural reforms to curtail Argentina's current economic conditions.

We can give no assurance that future developments in Argentine economic policy will not have a material adverse effect on our business, financial condition, prospects and results of operations.

Item 4. Information on the Company

THE COMPANY

Corporate Background

We are organized under the laws of Mexico. Our headquarters are located at Guillermo González Camarena No. 600, Col. Centro de Ciudad Sante Fé, Delegación Alvaro Obregón, Mexico, D.F., 01210, Mexico.

Our majority shareholder is Grupo Industrial Emprex, S.A. de C.V., commonly known as Emprex, a wholly owned subsidiary of FEMSA. FEMSA traces its origins to Cervecería Cuauhtémoc, Mexico's first brewery, which was founded in 1890 by four Monterrey businessmen, Isaac Garza, Francisco G. Sada, José A. Muguerza and José M. Schnaider. FEMSA is still controlled by descendants of founders of Cervecería Cuauhtémoc.

In 1979, Emprex acquired some of the soft drink bottling subsidiaries that are now a part of our company. At that time, the acquired subsidiaries had 13 distribution centers operating 701 distribution routes, and production capacity of the acquired subsidiaries was 83 million physical cases. As of December 31, 2000, we operated 68 distribution centers servicing approximately 1,745 distribution routes in Mexico and Argentina (including 155 third party distribution routes in Argentina) with an annual sales volume of 582.6 million unit cases.

On October 31, 1991, Emprex transferred the shares of its operating subsidiaries engaged in the soft drink business, not including mineral water operations, to FEMSA Refrescos, S.A. de C.V., the subholding company that became our company. A portion of the shares was contributed to the sub-holding company and the remaining shares were sold to the sub-holding company in exchange for a note payable to Emprex.

Effective May 14, 1993, Impulsora de Mercados, S.A. de C.V., a wholly owned subsidiary of Emprex, made a contribution of capital of Ps. 645.7 million (in nominal 1993 pesos, approximately $206.5 million) to our company in return for 90,250,000 Series L Shares. Emprex made an additional contribution of capital in the amount of Ps. 11.6 million (in nominal 1993 pesos, approximately $3.7 million) in exchange for 11,128,980 Series A Shares as of that date. We used the proceeds of these transactions to retire a portion of our outstanding debt obligations to Emprex, as well as the debt owed by our subsidiaries to Emprex.

Consistent with our goals of maximizing long-term profitability and growth and enhancing our competitive position, Emprex agreed to the subscription of 30% of our capital stock by the Inmex Corporation, an indirect subsidiary of The Coca-Cola Company. On June 21, 1993, Inmex subscribed to 142,500,000 Series D Shares for $195 million and, together with Emprex and The Coca-Cola Company, entered into certain agreements, including a shareholders agreement, that give The Coca-Cola Company an important role in the management of our company and a financial interest in our future. We repaid the remainder of our debt obligations to Emprex in June 1993 with the proceeds of this transaction. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."

In September 1993, we completed an initial public offering of our Series L Shares on the Mexican Stock Exchange and our ADSs on The New York Stock Exchange, Inc.

In a series of transactions between 1994 and 1997, we acquired 100% of Coca-Cola FEMSA de Buenos Aires from The Coca-Cola Export Corporation, a subsidiary of The Coca-Cola Company, for an aggregate purchase price of approximately A$336.7 million (in nominal 1994 and 1997 Argentine pesos). We expanded our Argentine operations in February 1996 when we acquired the former San Isidro Refrescos, S.A. ("SIRSA") territories, including certain properties of Refrescos del Norte, S.A. ("RDN"). In 1998, in conjunction with the SIRSA transaction, we began servicing all of RDN's accounts. Through these transactions, we expanded our Argentine operations to include the San Isidro and Pilar areas in a region contiguous to our Buenos Aires Territory.

We expanded our Mexican operations in November 1997 by acquiring 100% of the capital stock of Embotelladora de Soconusco, S.A. de C.V., known as the Tapachula Franchise, a bottler in the Tapachula area of the

state of Chiapas in Southern Mexico. With this acquisition, we service the entire state of Chiapas as part of our Mexican Territories.

Business Strategy

We are the second largest bottler of Coca-Cola trademark beverages in Latin America in terms of sales volume.

We seek to provide our shareholders with an attractive return on their investment by increasing our profitability. The key factors in achieving profitability are increasing the sales volume of our products at a competitive price while improving the efficiency of our operations by implementing the best practices throughout our company. To achieve these goals we continue our efforts in:

- Implementing marketing strategies and programs designed to increase consumer demand for our products;
- Expanding and enhancing presentation and brand portfolios in order to meet consumer demand and to promote market share growth;
- Rationalizing bottling capacity to increase the utilization of existing assets;
- Streamlining production and distribution processes for improved operating efficiencies;
- Integrating operations through advanced information technology;
- Evaluating the acquisition of new bottling franchises within Latin America; and
- Enhancing the quality of management at all levels.

We seek to increase per capita consumption of soft drinks in the territories in which we operate. To that end, our marketing teams continue to develop sales strategies tailored to the different characteristics of our various territories and channels. See "—Marketing—Channel Marketing." In addition, because we view our relationship with The Coca-Cola Company as integral to our business strategy, we use market information systems and strategies developed by The Coca-Cola Company to improve our coordination with the worldwide marketing efforts of The Coca-Cola Company. See "—Marketing—Channel Marketing."

We continue to develop our product portfolio to better meet market demand and increase our overall profitability. To stimulate and respond to consumer demand, we continue to introduce new products and new presentations. See "—The Company—Our Products." We also seek to increase placement of refrigeration equipment, including promotional displays, through the strategic placement of such equipment in retail outlets in order to showcase and promote our products.

In our facilities, we seek to rationalize our bottling capacity to improve the efficiency of our operations. As part of this plan, we closed several under-utilized plants and shifted bottling production to other existing facilities. At the same time, we are expanding bottling capacity at one of our plants to utilize our existing assets more efficiently. See "—Description of Property."

We have a capital expenditure program that includes investments in production and distribution facilities and information systems. We believe that this program will allow us to maintain the capacity and flexibility to create and respond to consumer demand for non-alcoholic beverages. In 2000, our capital expenditure program reached Ps. 900 million (approximately U.S. $94 million), a 4.6% decrease over 1999. See "—Capital Expenditures."

In each of our facilities, we seek to increase productivity through infrastructure and process reengineering for improved asset utilization. To this end, our engineers have developed a production master plan for our company and are reconfiguring existing production sites, warehouse locations and information systems.

As part of our plan to increase sales volume, we may consider the possibility of acquiring additional Coca-Cola bottler territories where such opportunities arise and when they fit into our financial plans. In this regard, we continually evaluate the potential attractiveness of bottler territories located in Latin America. However, we cannot give any assurances that any such acquisition will occur. See "—Corporate Background" and "Item 7. Major Shareholders and Related Party Transactions—The Shareholders Agreement."

Finally, we focus on management quality as a key element of our growth strategies and remain committed to fostering the development of quality management at all levels. Both FEMSA and The Coca-Cola Company provide us managerial experience and depth. To build upon these skills, we also offer management training programs and programs designed to enhance our executives' abilities.

Our Markets

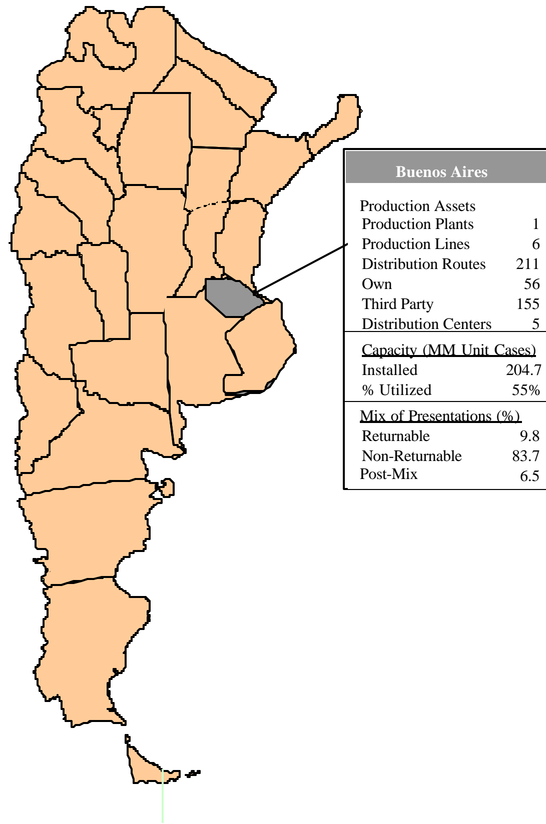
Our subsidiaries operate in three geographically defined territories:

- *Valley of Mexico Territory*: Comprised of the Mexico City metropolitan area, including a substantial portion of the adjacent State of Mexico.
- *Southeast Territory*: Comprised of the States of Tabasco and Chiapas and portions of the States of Oaxaca and Veracruz.
- *Buenos Aires Territory*: Comprised of the Federal District of Buenos Aires, Argentina and a significant part of the greater Buenos Aires metropolitan area.

The Valley of Mexico Territory and the Southeast Territory together compose our Mexican Territories. The following maps show the locations of our territories at December 31, 2000.

Mexican Territories

Buenos Aires Territory



The characteristics of our three territories are very diverse. The Valley of Mexico Territory is densely populated and has a large number of competing soft drink brands and higher per capita income than in the Southeast Territory in Mexico. The Southeast Territory is a large and mountainous area with lower population density, lower per capita income, and lower per capita consumption of soft drink products. The Buenos Aires Territory is densely populated and has higher per capita income and lower per capita consumption of soft drink products as compared with the Valley of Mexico Territory.

Our Products

Our subsidiaries produce, market, and distribute the following Coca-Cola trademark beverages:

Mexican Territories	**Buenos Aires Territory**
Coca-Cola	*Coca-Cola*
Coca-Cola light[1]	*Coca-Cola light*[1]
Sprite	*Sprite*
Sprite light[2]	*Sprite light*[2]
Fanta	*Fanta*
Fresca [3]	*Quatro*[10]
Lift[4]	*Kin*
Delaware Punch[5]	*Taí*[11]
Ciel[6]	*Schweppes*[7]
Beat[7]	*Hi-C*[12]
Senzao[8]	*Crush*[13]
Ciel Mineralizada[9]	*Black Fire*[9]

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(1) Introduced in October 1997 as a replacement for *diet Coke*.
(2) Introduced in February 1999 as a replacement for *diet Sprite*.
(3) Introduced in September 1994.
(4) Introduced in May 1995.
(5) Introduced in March 1996.
(6) Introduced in 1997.
(7) Introduced in November 2000.
(8) Introduced in April 2001.
(9) Introduced in March 2001.
(10) Introduced in December 1994.
(11) Introduced in June 2000.
(12) Introduced in December 2000.
(13) Introduced in February 2001.

Our single most important brand is *Coca-Cola*, which accounted for 71.9% of the total consolidated sales volume in 2000. *Sprite* and *Fanta*, which accounted for 5.2% and 5.1%, respectively, of the sales volume in 2000, are currently our second largest brands in terms of annual unit case sales volume.

Since the beginning of 2000, we have introduced a number of new products. In the Mexican Territories, we began selling *Beat*, a premium-priced non-carbonated energy drink, in November 2000. In April 2001, we introduced *Senzao*, a guarana-flavored carbonated drink, to provide more choice to consumers seeking flavored soft drinks. In addition, we launched *Ciel Mineralizada*, a mineral water beverage, in March 2001 and discontinued the distribution of several mineral water products produced by Cadbury, Schweppes PLC (see below).

In Argentina, we introduced *Taí* in June 2000 and *Crush* in February 2001, both low price brands in multi-serving presentations, to better compete in the low price segment. We also began selling *Schweppes* in November 2000 and *Black Fire* in March 2001 to provide more choice to consumers seeking higher-end products. In addition, the introduction of *Hi-C*, a juice-based product, in December 2000 expanded our product portfolio outside the carbonated soft drink segment.

We sell Coca-Cola trademark beverages in containers authorized by The Coca-Cola Company, which consist of a variety of returnable and non-returnable presentations in the forms of glass bottles, cans, and plastic bottles made of polyethylene terephtalate or "PET". In addition, we sell some Coca-Cola trademark beverage syrups in containers designed for soda fountain use, which we refer to as post-mix containers.

We have three bottler agreements with The Coca-Cola Company that grant us the exclusive right (subject to certain limited exceptions) to produce and sell the licensed products and use the related trade names and trademarks in the Mexican and Buenos Aires Territories. See "—Corporate Background" and "—Bottler Agreements." We entered into our Mexican bottler agreements, including supplemental agreements, on June 21, 1993. These contracts include bottler agreements for the Valley of Mexico Territory and the Southeast Territory, the latter of which was amended on October 30, 1997 to include the Tapachula area. We entered into our Buenos Aires bottler agreement, including supplemental agreements, on August 22, 1994. We amended this

agreement in 1995, 1996 and 1998 to include the San Isidro and Pilar areas previously served by SIRSA and RDN, respectively.

On December 11, 1998, The Coca-Cola Company and Cadbury, Schweppes PLC announced the signing of an agreement for The Coca-Cola Company to acquire Cadbury beverage brands in over 120 countries. In July 1999, The Coca-Cola Company announced the completion of acquisitions in many of these countries, including Argentina, allowing us to distribute Cadbury beverages in our Buenos Aires Territory. In 2000, however, Mexican regulators prevented The Coca-Cola Company's acquisition of Cadbury beverage brands in Mexico. As a result of this development, we may not sell Cadbury brands in our Mexican Territories, and during 2001 we suspended the distribution of several Cadbury beverages we had previously sold in our Mexican Territories pursuant to an informal understanding with Cadbury. Although we may not sell Cadbury beverages in Mexico, we continue to sell Cadbury products in our Buenos Aires Territory.

Sales

In evaluating the development of local sales territories, we and The Coca-Cola Company measure, among other factors, the per capita consumption of Coca-Cola trademark beverages. Per capita consumption data for a territory is determined by dividing management's estimate of applicable aggregate consumption figures within the territory (in bottles, cans and post-mix containers) by the estimated population within such territory, and is expressed on the basis of the number of eight-ounce servings consumed annually per capita. In our Valley of Mexico Territory, estimated per capita annual consumption of our Coca-Cola trademark beverages in 2000 was 445 eight-ounce servings, slightly lower than the national average of 459 servings of Coca-Cola trademark beverages. Consumption in our Southeast Territory was significantly lower than the national average in 2000, at 275 eight-ounce servings compared to 459 servings nationally. In our Buenos Aires Territory (including the Pilar area), estimated per capita annual consumption of our products in 2000 was approximately 255 eight-ounce servings, higher than the national average in Argentina of 224 eight-ounce servings. Our data shows that per capita consumption for all age groups grew in recent years in all of our territories, and we believe that general population growth in both our Mexican and Buenos Aires Territories will result in increased sales.

Total unit case sales volume of our products increased 7.0% in 2000 compared to 1999. See "Item 5. Operating and Financial Review and Prospects—Results of Operations."

The following table illustrates the historical sales volume for our combined territories in Mexico and Argentina:

Combined Sales Volume

	Year ended December 31,				
	2000(1)(2)	**1999**(1)(2)	**1998**(1)(2)	**1997**(2)	**1996**(3)
	(millions of unit cases, except percentages)				
Company Total	582.6	544.2	519.6	438.3	380.5
% Growth	7.0	4.7	18.6	15.2	7.2

(1) Includes sales to certain accounts previously served by RDN, which we began servicing in June 1998.
(2) Includes sales within the Tapachula area, which we began servicing in November 1997.
(3) Includes sales to certain accounts in the territory previously served by SIRSA for January 1996 and all accounts in such territory from February 1, 1996 through December 31, 1996.

We produce soft drinks in a variety of deliverable presentations:

	Year ended December 31,				
	2000	1999	1998	1997	1996
Unit Case Volume Mix by Presentation	(in percentages)				
Valley of Mexico					
Returnable	42.2 %	40.6 %	48.0%	55.9 %	61.5 %
Non-returnable[(1)]	55.5	57.3	50.0	41.9	36.2
Post-mix	2.3	2.1	2.0	2.2	2.3
Southeast Mexico					
Returnable	50.3 %	56.7 %	60.8 %	69.5 %	83.8 %
Non-returnable[(1)]	49.1	42.8	38.8	30.1	15.8
Post-mix	0.6	0.5	0.4	0.4	0.4
Buenos Aires					
Returnable	9.8 %	10.3 %	10.8 %	30.3 %	45.4 %
Non-returnable[(1)]	83.7	83.8	83.2	63.5	49.4
Post-mix	6.5	5.8	5.9	6.2	5.2

(1) Including cans.

Packaging Mix Summary

Mexican Operations. In the Mexican Territories, we sell a majority of our beverages at small retail stores to customers who take the beverages home or elsewhere for consumption. We also sell products in the "on-premise" segment, which consists of (i) sales through sidewalk stands, restaurants, bars and various types of dispensing machines and (ii) sales through "point of sale" programs in concert halls, auditoriums and theaters by means of a series of arrangements with Mexican promoters. The vast majority of our sales to all of these outlets is on a cash basis.

In 2000, approximately 99.3% of our unit case sales in the Mexican Territories were of Coca-Cola trademark beverages. Sales volume of Coca-Cola trademark beverages in the Mexican Territories increased 10.2% in 2000 compared to 1999. We attribute this increase to (i) the use of hand-held computers by our sales personnel, which enables us to gather product, consumer and delivery information, (ii) our pre-sale distribution system, under which sales personnel can more efficiently provide products and services to retailers, (iii) increased availability of cold soft drink products as a result of investments in refrigeration sales units, (iv) increased packaging options provided by us to consumers, and (v) continued marketing efforts.

The following tables highlight our historical sales volumes for colas and flavored soft drinks:

Valley of Mexico Territory

	Year ended December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
Unit Case Volume Mix by Brand	(in percentages)				
Coca-Cola	73.4 %	72.9 %	72.6 %	75.5 %	79.0 %
Coca-Cola light[1]	3.5	3.3	2.9	2.6	2.4
Sprite	4.7	4.5	3.6	3.2	2.6
Sprite Light[2]	0.1	0.1	0.1	0.1	0.1
Fanta	3.3	3.1	4.0	5.8	6.9
Fresca	5.2	5.7	5.7	3.8	3.6
Lift	6.1	6.9	7.1	6.0	3.8
Delaware Punch	1.2	1.2	1.2	1.7	1.1
Ciel[3]	1.8	1.6	2.0	0.5	–
Beat	0.0	–	–	–	–
Subtotal Coca-Cola Trademark Beverages	99.3 %	99.4 %	99.3 %	99.3 %	99.3 %
Extra Poma	–	–	–	–	–
Etiqueta Azul	0.7	0.6	0.7	0.7	0.7
Subtotal Other Beverages	0.7 %	0.6 %	0.7 %	0.7 %	0.7 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Unit Case Volume	(millions of cases)				
Coca-Cola Trademark Beverages	341.1	314.9	302.4	257.6	212.3
Other Beverages	2.4	2.0	2.1	1.9	1.4
Total	343.5	316.9	304.5	259.5	213.7
% Growth	8.4%	4.1%	17.3%	21.4%	6.2%

(1) Introduced in October 1997 as a replacement for *diet Coke.*
(2) Introduced in February 1999 as a replacement for *diet Sprite.*
(3) Introduced in August 1997.

Southeast Territory

	Year ended December 31,				
	2000	1999	1998	1997	1996
Unit Case Volume Mix by Brand	(in percentages)				
Coca-Cola	72.7 %	72.8 %	71.3 %	72.4 %	74.3 %
Coca-Cola light[(1)]	1.2	1.1	1.2	1.0	0.7
Sprite	2.6	2.3	1.8	1.8	1.5
Sprite Light[(2)]	*	*	*	*	*
Fanta	7.9	7.8	9.1	11.1	13.1
Fresca	3.3	3.1	3.0	3.2	3.3
Lift	6.6	6.8	6.9	6.5	5.3
Delaware Punch[(3)]	0.2	0.1	0.2	0.3	0.2
Ciel[(4)]	4.3	4.8	5.1	2.6	–
Subtotal Coca-Cola Trademark Beverages	98.6 %	98.7 %	98.5 %	98.7 %	98.5 %
Extra Poma	–	–	–	–	0.2
Etiqueta Azul	1.1	1.0	1.0	1.1	1.3
Peñafiel[(5)]	0.2	0.2	0.5	0.1	–
Subtotal Other Beverages	1.3 %	1.3 %	1.4 %	1.2 %	1.5 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Unit Case Volume	(millions of cases)				
Coca-Cola Trademark Beverages	116.0	99.9	95.3	74.6	64.3
Other Beverages	1.6	1.3	1.4	0.9	1.0
Total	117.6	101.2	96.7	75.6	65.3
% Growth	16.2%	4.7%	27.9%	15.7%	-0.5%

* Less than 0.1%.
(1) Introduced in October 1997 as a replacement for *diet Coke.*
(2) Introduced in February 1999 as a replacement for *diet Sprite*.
(3) Introduced in March 1996.
(4) Introduced in April 1997.
(5) Sold only in the Tapachula area.

Combined Mexican Territories Sales Volume

	Year ended December 31,				
	2000[(1)]	1999[(1)]	1998[(1)]	1997[(1)]	1996
Unit Case Volume	(millions of unit cases)				
Total	461.1	418.1	401.2	335.1	279.0
% Growth	10.3%	4.2%	19.7%	20.1%	4.6%

(1) Includes sales within the Tapachula area, which we began servicing in November 1997.

Since 1995, we have introduced a number of new presentations in the Mexican Territories. These include 2.0-liter returnable plastic bottles, 1.0-liter non-returnable plastic bottles, and 0.6-liter plastic contour bottles to replace the 0.5-liter non-returnable glass and plastic presentations.

During 2000 we refocused our packaging mix strategy to reinforce our commitment to returnable packages and better segment our markets. Returnable plastic and glass presentations offer consumers a more affordable, although less convenient, product. The price of a 2.0-liter returnable package is 18% less than the same size non-returnable package. These returnable products are mainly sold to small store retailers who benefit from returnable bottles' lower price per ounce of product, allowing them to compete on price with larger supermarkets. Returnable packages are profitable for us, because they make Coca-Cola trademark beverages more attractive to price-sensitive consumers. We believe that our continued commitment to returnable bottle availability will allow us to compete on price with low-price entrants to the Mexican soft drink market.

Our most popular soft drink presentations are the 2.0-liter returnable plastic bottles, the 0.6-liter non-returnable plastic contour bottle and the 2.0-liter non-returnable plastic bottle, which accounted for 33.3%, 22.2% and 14.5%, respectively, of our total soft drink sales volume in 2000 in the Mexican Territories. Although our packaging mix shifted often from 1994 to 1999, this trend stabilized during 2000 and our current packaging mix is expected to remain at its current level. Total non-returnable presentations (including cans and excluding post-mix containers) represented 53.9% of total soft drink sales in the Mexican Territories in 2000 compared to 53.8% in 1999.

In recent years, multi-serving presentations (those presentations of more than 1.0-liter) have grown in importance in our product mix. In 2000, multi-serving presentations represented 49.4% of our total soft drink sales in the Mexican Territories, compared to 46.9% in 1999. The shift to larger multi-serving presentations has resulted in an overall net increase in sales volume on a unit case basis. We believe that the popularity of multi-serving presentations is primarily attributable to the lower price per ounce of product in larger presentations. We expect the trend toward multi-serving presentations to continue.

Valley of Mexico Territory

	Year ended December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
Unit Case Volume Mix by Presentation	(in percentages)				
Glass					
6.5 oz. returnable	0.5 %	0.5 %	0.5 %	0.7 %	0.9 %
12.0 oz. returnable	7.8	8.6	11.5	14.0	18.0
26.0 oz. returnable	–	–	0.5	2.4	5.5
0.5-liter returnable (1)	–	–	–	0.8	1.9
12.0 oz. non-returnable (2)	–	–	*	0.1	0.1
0.5-liter non-returnable	0.0	0.1	10.4	13.7	12.0
Cans-12.0 oz.	6.2	6.3	7.7	6.4	6.8
Plastic					
1.5-liter returnable	–	–	0.4	6.0	17.4
0.5-liter non-returnable	0.8	0.8	0.7	0.2	0.3
2.0-liter returnable	33.9	31.5	35.0	32.0	17.8
0.6-liter non-returnable	24.1	25.3	5.7	0.8	0.3
1.0-liter non-returnable	10.2	10.8	11.3	8.8	7.6
1.5-liter non-returnable (3)	1.2	1.0	1.3	0.3	–
2.0-liter non-returnable	13.0	12.7	12.9	11.7	9.1
Post-Mix	2.3	2.1	2.0	2.2	2.3
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(1) Discontinued in December 1997.
(2) Discontinued in June 1998.
(3) Introduced in August 1997.

Southeast Territory

	Year ended December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
Unit Case Volume Mix by Presentation	(in percentages)				
Glass					
6.5 oz. returnable	0.0 %	* %	* %	0.1 %	0.1 %
12.0 oz. returnable	7.8	10.1	12.7	17.5	22.7
26.0 oz. returnable	0.0	0.1	0.3	1.0	2.6
0.5-liter returnable	10.4	13.6	16.4	18.2	22.3
1.0-liter returnable[1]	0.5	0.8	0.9	0.9	1.2
1.25-liter returnable	0.0	0.3	1.1	1.5	2.7
12.0 oz. non-returnable	–	–	*	0.1	0.1
0.5-liter non-returnable	0.1	0.2	1.3	2.0	2.1
Cans-12.0 oz.	6.2	7.2	10.8	9.7	7.4
Plastic					
1.5-liter returnable	–	–	–	–	–
2.0-liter returnable	31.5	31.9	29.3	30.3	32.3
0.5-liter non-returnable[2]	2.3	2.5	5.0	2.4	–
1.0-liter non-returnable	2.1	2.6	3.3	3.1	1.2
1.5-liter non-returnable[3]	2.6	3.0	3.1	1.5	–
2.0-liter non-returnable	19.2	16.8	15.0	11.3	5.0
0.6-liter non-returnable[4]	16.6	10.5	0.3	–	–
0.25-liter non-returnable	0.1	0.0	0.0	–	–
Post-Mix	0.6	0.5	0.4	0.4	0.4
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

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* Less than 0.1%.
(1) Introduced in January 1996.
(2) Introduced in March 1997.
(3) Introduced in April 1997.
(4) Introduced in August 1998.

Argentine Operations. In the Buenos Aires Territory, we sell the majority of our products in the take home segment. Our distribution system, or channel mix, is more heavily weighted toward supermarkets than in either of the Mexican Territories. As a result, our marketing and distribution strategies in the Buenos Aires Territory differ from those employed in Mexico, focusing on increasing on-premise consumption and differentiation of promotions and products among distribution channels. See "—Marketing—Channel Marketing."

While the majority of our sales in Argentina are on a cash basis, sales to certain customers, such as major supermarket chains, are made on credit.

Buenos Aires Territory

	Year ended December 31,				
	2000	1999	1998	1997	1996
Unit Case Volume Mix by Brand	(in percentages)				
Coca-Cola	67.2 %	68.5 %	70.5 %	71.4 %	70.1 %
Coca-Cola light(1)	8.6	7.4	6.4	5.3	3.7
Sprite	9.0	9.8	9.9	9.3	9.0
diet Sprite(2)	1.4	1.2	0.7	0.7	0.8
Fanta	7.6	8.1	7.1	7.3	7.6
Kin	0.6	0.7	1.0	1.6	3.5
Quatro	4.0	4.2	4.3	4.3	5.2
Taí	1.2	–	–	–	–
Schweppes	0.2	–	–	–	–
Hi-C	0.1	–	–	–	–
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Unit Case Volume	(millions of cases)				
Total	121.5	126.1	118.4	103.1	101.5
% Growth	-3.7%	6.5%	14.8%	1.6%	15.0%

(1) Introduced in October 1997 as a replacement for *diet Coke.*
(2) Introduced in February 1999 as a replacement for *diet Sprite*.

In 2000, 100% of our unit case sales in the Buenos Aires Territory were of Coca-Cola trademark beverages. Sales volume of Coca-Cola trademark beverages in the Buenos Aires Territory decreased 3.7% in 2000 as compared to 1999.

In 2000, 2.25-liter and 1.5-liter non-returnable plastic bottles accounted for 39.5% and 29.0% of total soft drink sales volume, respectively. Recent growth in the Argentine soft drink industry was led by sales in super and hyper-markets, which primarily sell large, non-returnable presentations. We have shifted, and will continue to shift, our product mix in the Buenos Aires Territory toward these presentations in response to consumer preferences. In addition, we seek to increase sales in the on-premise segment, which consists of small retail outlets, restaurants, bars and various types of dispensing machines. In March 1999, we introduced a small 237-milliliter non-returnable glass contour bottle in an effort to increase on-premise demand with a low-price, single-serving presentation.

Buenos Aires Territory

	Year ended December 31,				
	2000	1999	1998	1997	1996
Unit Case Volume Mix by Presentation	(in percentages)				
Glass					
330 and 350 c.c. returnable	2.4 %	2.5 %	2.8 %	3.4 %	3.6 %
1.0-liter returnable[(1)]	–	–	–	*	0.8
0.237-liter non-returnable[(2)]	2.2	1.5	–	–	–
Cans-12.0 oz.	7.2	8.3	10.5	9.9	11.1
Plastic					
1.5-liter returnable	7.4	7.8	8.0	26.6	39.1
2.0-liter returnable[(3)]	–	–	–	0.3	1.9
0.5-liter non-returnable	2.0	2.9	3.3	3.8	3.4
0.6-liter non-returnable	0.6	–	–	–	–
1.0-liter non-returnable[(4)]	0.7	0.8	0.7	1.7	1.0
1.5-liter non-returnable	29.0	27.4	26.2	4.9	2.9
2.0-liter non-returnable	2.3	3.1	3.1	15.4	15.8
2.25-liter non-returnable	39.5	39.7	39.4	27.7	15.1
Post-Mix	6.5	5.8	5.9	6.2	5.2
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

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* Less than 0.1%.
(1) Discontinued in May 1997.
(2) Introduced in March 1999
(3) Discontinued in August 1997.
(4) Introduced in July 1996.

Seasonality

Sales of our products are seasonal, as our sales levels generally increase during the summer and the Christmas holiday season. In the Mexican Territories, we typically achieve our highest sales during the summer months (April through September) as well as during the Christmas holidays in December. In the Buenos Aires Territory, our highest sales levels occur during the South American summer (October through March) and the Christmas holiday season. Generally, sales of our products in the Buenos Aires Territory experience higher levels of seasonality than in the Mexican Territories because of the higher sensitivity of Argentine consumption to weather conditions.

Marketing

Our company, in conjunction with The Coca-Cola Company, has developed a sophisticated marketing strategy to promote the sale and consumption of our products. Through the use of advanced information technology, we have gained customer and consumer information that allows us to tailor our marketing strategies to the types of customers located in each of our territories and to meet the specific needs of the various market segments we serve.

We rely extensively on advertising, sales promotions and non-price related retailer incentive programs designed by the Mexican and Argentine affiliates of The Coca-Cola Company to target the particular preferences of Mexican and Argentine soft drink consumers.

Incentive programs include providing retailers with commercial refrigerators for the display and cooling of soft drink products at little or no charge, free point-of-sale display materials, and complimentary soft drink products. We seek, in particular, to increase distribution coolers among retailers to increase the visibility and consumption of our products. Sales promotions include sponsorship of community activities, sporting, cultural and social events, and consumer sales promotions such as contests, sweepstakes and product giveaways.

In addition, we advertise in all major communications media. We also focus attention 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.

Cooperative Marketing Budget. Our total marketing expenditures made in the Mexican Territories increased 11.3% to Ps. 568.6 million in 2000 from Ps. 511.0 million in 1999. In the Buenos Aires Territory, our marketing expenditures decreased 16.1% to approximately A$19.3 million (Ps. 185.5 million) in 2000 from A$23.0 million (Ps. 221.0 million) in 1999. Under the 2000 and 1999 cooperative marketing budgets, The Coca-Cola Company contributed to our marketing expenditures by approximately matching the amount we spent on these marketing efforts in each respective year. See "—Bottler Agreements."

Channel Marketing. In order to provide a more dynamic and specialized marketing of our products, our marketing strategy is to segment our market and develop targeted marketing efforts for each segment or distribution channel. This channel marketing strategy entails a comprehensive and detailed analysis of the purchasing patterns and preferences of various groups of soft drink consumers in each of the various types of locations or distribution channels where they might potentially purchase Coca-Cola trademark beverages. In response to this analysis, we tailor our product, price, packaging, and distribution strategies to meet the particular needs and exploit the potential of each channel.

We believe that the implementation of our channel marketing strategy also enables us to respond to competitive initiatives with channel-specific responses as opposed to market-wide responses. This focused response capability isolates the effects of competitive pressure in a specific channel, thereby avoiding costlier market-wide responses. Our channel marketing activities are facilitated by our management information systems. We have invested significant amounts in creating such systems, including hand-held computers for most of our sales routes in the Mexican and Buenos Aires Territories to support the gathering of product, consumer and delivery information required to implement our channel marketing strategies effectively.

Product Distribution

The following table provides an overview of our product distribution infrastructure and retail network.

Product Distribution Summary

	Mexico	Argentina
Distribution Centers	63	5
Distribution Trucks[1]	1,979	284
Sales Routes	1,534	211
Number of Retailers	275,200	70,000

[1] Includes both company-owned trucks and subcontractors

Mexican Operations. We subcontract to our affiliate, FEMSA Logística, the transportation of finished products to our distribution centers from our Mexican production facilities. From the distribution centers, we then distribute our finished products to an estimated 275,200 retailers through our own fleet of trucks. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

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 a fleet of electric carts and hand-trucks in order to comply with local environmental and traffic regulations.

We believe that service visits to retailers and frequency of deliveries are essential elements in an effective distribution system for soft drink products. Accordingly, we have continued to expand our pre-sale system in the Valley of Mexico Territory and throughout the main cities in the Southeast Territory. The pre-sale program separates the sales and delivery functions, allowing sales personnel to sell products prior to delivery and enabling trucks to be loaded with the mix of products that retailers need and desire, thereby increasing distribution efficiency.

Under the pre-sale program, sales personnel also provide merchandising services during retailer visits, which we believe enhances the presentation of our products at the point of sale. At December 31, 2000, approximately 86.9% of our sales routes used the pre-sale system.

Argentine Operations. At December 31, 2000, we operated five distribution centers in the Buenos Aires Territory. We also utilize the pre-sale system in the Buenos Aires Territory and distribute our products by means of our own fleet of trucks and non-affiliate transportation subcontractors and through independent wholesalers. In addition, in designated zones independent wholesalers purchase our products at a discount from the wholesale price and resell the products to retailers. Independent wholesalers distributed approximately 15.6% of our products in Argentina in 2000.

Competition

Although we believe that our products enjoy wider recognition and greater consumer loyalty than those of our principal competitors, the soft drink segments of the Mexican and Argentine beverage markets are highly competitive. Our principal competitors are local bottlers of PepsiCo. beverage brands and other bottlers and distributors of national and regional soft drink brands. Recently, packaging and price discounting have joined consumer sales promotions, customer service, and non-price retailer incentives as the primary means of competition among soft drink bottlers. We believe that the introduction of new presentations has been a major competitive technique in the soft drink industry during recent years. See "—Sales."

Mexico. Our principal competitors in our Mexican Territories are bottlers of PepsiCo. products, whose territories overlap but are not co-extensive with our own. These competitors include Pepsi Gemex in the Valley of Mexico Territory and several other PepsiCo. bottlers in the Southeast Territory. In addition, we compete with Cadbury, Schweppes and with national and regional brands in both of our Mexican Territories.

Argentina. In the Buenos Aires Territory, our main competitor is Buenos Aires Embotelladora S.A. (BAESA), a PepsiCo. bottler. In addition to BAESA, competition has intensified over the last several years with the entrance of a number of competitors offering generic, low-priced soft drinks as well as many other generic products and private label proprietary supermarket brands that are produced by contract bottlers.

Raw Materials

Pursuant to the bottler agreements with The Coca-Cola Company, we are required to purchase concentrate for all Coca-Cola trademark beverages from companies designated by The Coca-Cola Company. The price of concentrate for all Coca-Cola trademark beverages is set by multiplying a portion of the wholesale price of the product by a multiplier that is set pursuant to periodic negotiations with The Coca-Cola Company. In addition to concentrates, we purchase sweeteners, carbon dioxide, glass and plastic bottles, cans, closures and post-mix containers, as well as other packaging materials. The bottler agreements provide that, with respect to Coca-Cola trademark beverages, all containers, closures, cases, cartons, and other packages and labels may be purchased only from manufacturers approved by The Coca-Cola Company, including manufacturing subsidiaries of FEMSA Empaques, S.A. de C.V, an indirect subsidiary of FEMSA.

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

Mexican Operations. Some glass bottles, closures, plastic cases, cardboard products, commercial refrigerators, and certain lubricants and detergents for bottling lines are purchased from subsidiaries of FEMSA Empaques at competitive prices. Some of our plastic bottles are purchased from Continental PET Technologies de México, S.A. de C.V., a subsidiary of Continental Can, Inc., which has been the exclusive supplier of 2.0-liter returnable plastic bottles to The Coca-Cola Company and its bottlers in Mexico. Other plastic bottles, as well as pre-formed plastic ingots for the production of plastic bottles, are purchased from a variety of third-party suppliers.

In 1995, we received authorization and began producing Coca-Cola trademark beverages in can presentations. We purchase some can presentations from Industria Envasadora de Querétaro, S.A. de C.V., known as IEQSA, a bottler cooperative in which we hold an approximate 19.6% interest. Both we and IEQSA purchase a portion of our empty can supply requirements from Fábricas Monterrey, S.A. de C.V., known as Famosa, a subsidiary of FEMSA Empaques.

We obtain water from ground water sources under concessions obtained from the Mexican government and held by our various subsidiaries. We also obtain water from the municipalities where bottling plants are located. See "—Regulation—Water Supply Law." We believe that such sources provide an adequate supply of water to meet our current and projected requirements in Mexico. In addition, we obtain carbon dioxide gas from domestic sources.

Sweeteners are combined with water to produce basic syrup, which is added to the concentrate as the sweetener for the soft drink. We may utilize sugar or high fructose corn syrup ("HFCS") as sweeteners in our products. The Coca-Cola Company authorizes the use of a sugar/HFCS mix. Aspartame, an artificial sweetener for diet sodas, is included in the concentrates of *Coca-Cola light* and *Sprite light,* which are purchased from The Coca-Cola Company.

Each of our Mexican bottling subsidiaries purchases sugar from Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of Coca-Cola bottlers. These purchases are made under one-year agreements between PROMESA and each bottling subsidiary for the sale of sugar at a price that is determined monthly based on the cost of sugar to PROMESA. The agreements incorporate by reference standard industry provisions relating to the quality and delivery of the sugar. There are currently no statutory price controls for sugar in Mexico. Sugar may be obtained from Mexican producers or through purchases in the international market. Imported sugar is currently subject to import duties, the amount of which is set by the Mexican government. Increases in the price of sugar, including increases that may occur in the event that import duties increase or import restrictions on sugar are imposed, will increase our cost of sales and adversely affect our net earnings to the extent we are unable to pass along the full amount of such increases to the consumer.

Average Real Price Increase (Decrease) of Sugar in the Mexican Territories

	2000	**1999**	**1998**	**1997**	**1996**
Change over previous year [(1)]	(10.2)%	(12.7)%	2.2%	8.3%	8.6%

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(1) Excludes the effect of inflation

In order to reduce our sweetener costs, we have installed equipment within several of our production facilities in the Mexican Territories to process raw sugar.

We buy HFCS from domestic sources (which may import finished HFCS or the corn required to produce the substitute) at prices competitive to the price of sugar. Imported HFCS is currently subject to import duties, the amount of which is set by the Mexican government. As in the case of sugar, increases in the price of HFCS, including increases that may occur in the event that import duties increase or import restrictions on HFCS are imposed, will increase our cost of sales and adversely affect our net earnings to the extent we are unable to pass along the full amount of such increases to the consumer.

Of the raw materials required in the bottling of our products, the prices of aluminum cans, plastic bottles, bottle closures (both steel and plastic), other packaging materials and HFCS are quoted in U.S. dollars and therefore are affected by the fluctuation of the peso against the U.S. dollar. We have historically passed on increases in these costs to our customers in the form of price increases. During 2000, the average real unit price in Mexican peso of these dollar-denominated costs decreased on average. This decrease was the result of (i) lower dollar costs of some of these raw materials and (ii) the appreciation of the Mexican peso against the U.S. dollar. We purchase all of our raw materials, excluding those discussed above for our Mexican Territories and including soft drink concentrate, in pesos.

Argentine Operations. We purchase glass bottles, plastic trays and other raw materials from several domestic sources. We purchase pre-formed plastic ingots, as well as returnable plastic bottles, at competitive prices from Complejo Industrial PET S.A., a local subsidiary of Embotelladora Andina S.A., a Coca-Cola bottler with operations in Argentina, and other international suppliers. We purchase crown caps and some commercial refrigeration equipment from subsidiaries of FEMSA Empaques.

We purchase our can presentations for distribution to its customers in Buenos Aires from Complejo Industrial CAN S.A. ("CICAN"). In December 1996, The Coca-Cola Company sold CICAN to a group of bottlers that included Coca-Cola FEMSA de Buenos Aires. Under the terms of the shareholders' agreement among these bottlers, CICAN is managed as a joint venture. In 1996, Coca-Cola FEMSA de Buenos Aires paid A$4.6 million (in nominal 1996 pesos) for a 44.2% equity interest in CICAN (48.1% as of December 31, 2000).

We obtain water for our plant in Buenos Aires from Aguas Argentinas S.A., a private company responsible for managing the public water supply. We believe that this source provides an adequate supply of water to meet the needs for our Argentine operations. Praxair Argentina S.A. provides our requirements of carbon dioxide gas.

We purchase sugar from various domestic suppliers and negotiate sugar prices independently with our suppliers, the prices of which are not subject to Argentine price controls. Imported sugar is subject to import duties that are set by the Argentine government and fluctuate in order to equalize the price of sugar obtained from domestic and international sources.

Average Real Price Increase (Decrease) of Sugar in the Buenos Aires Territory

	2000	**1999**	**1998**	**1997**	**1996**
Change over previous year [1]	(10.4%)	(22.1%)	2.8%	4.1%	9.2%

(1) Excludes the effect of inflation.

In Argentina HFCS is obtained from domestic sources at prices competitive with the price of sugar. As in our Mexican operations, we may utilize sugar or HFCS as sweeteners in our products, and The Coca-Cola Company authorizes the use of a sugar/HFCS mix. Aspartame, an artificial sweetener for diet sodas, is included in the concentrate of *Coca-Cola light* and *Sprite light*, which we purchase from The Coca-Cola Company.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated.

	Year ended December 31,		
	2000	**1999**	**1998**
	(millions of constant pesos at December 31, 2000)		
Mexican Territories			
Plants and distribution	Ps. 457.7	Ps. 513.5	Ps. 1,097.6
Bottles	194.0	183.6	110.2
Deferred charges and other investments	145.9	128.8	269.6
Total	Ps. 797.6	Ps. 825.9	Ps. 1,477.4
Buenos Aires Territory			
Plants and distribution	Ps. 79.9	Ps. 83.1	Ps. 82.1
Bottles	24.0	20.1	31.7
Deferred charges and other investments	(1.5)	14.4	100.9
Total	Ps. 102.4	Ps. 117.6	Ps. 214.7
Total Coca-Cola FEMSA	Ps. 900.0	Ps. 943.5	Ps. 1,692.1

Our capital expenditures in 2000 focused on increasing operating efficiencies, improving the efficiency of our distribution infrastructure, advancing information technology, placing refrigeration equipment and relocating our corporate headquarters. Through these measures, we expect to improve our profit margins and overall profitability.

Our business plan for 2001 calls for investments totaling approximately U.S. $90 million (including investments in bottles and cases and deferred charges) with approximately U.S. $75 million and U.S. $15 million budgeted for our Mexican and Buenos Aires Territories, respectively. Our projected capital expenditures in 2001 include:

- Start up of the Toluca plant (Phase II to expand capacity);
- Replacement of older distribution vehicles and expansion of the distribution fleet;
- Market investments (such as the placement of refrigeration equipment, vending machines and post-mix dispenser equipment in the market);
- Replacement and upgrading of manufacturing equipment in our production facilities; and
- Investments in information systems

We believe that internally generated funds and borrowing from third-party sources, if needed, will be sufficient to meet our capital expenditure and working capital requirements for the year 2001. However, we may seek debt or equity financing from the international capital markets in connection with any possible acquisition by us of Coca-Cola bottler operations. Our capital expenditure plan for 2001 is subject to change based on market and other conditions and our results of operations and financial resources.

Historically, The Coca-Cola Company has contributed to our capital expenditure program. We utilize these contributions in our marketing programs and other volume driving initiatives that promote volume growth of Coca-Cola trademark beverages. Such payments may result in a reduction in our selling expenditures. Contributions by The Coca-Cola Company are made on a discretionary basis. Although we believe that The Coca-Cola Company will make additional contributions in the future to assist our capital expenditure program, we can give no assurance that any such contributions will be made.

REGULATION

Price Controls. Prices of our products have been regulated by the Mexican government in the past. Prior to 1992, prices of carbonated soft drinks were regulated by the Mexican government. From 1992 to 1995, the industry was subject to voluntary price restraints. However, in response to the devaluation of the peso relative to the U.S. dollar in 1994 and 1995, the Mexican government adopted an economic recovery plan to control inflationary pressures in 1995. As part of this plan, the Mexican government encouraged the *Asociación Nacional de Productores de Refrescos y Aguas Carbonatadas, A.C.* (the National Association of Bottlers) to engage in voluntary consultations with the Mexican government with respect to price increases for returnable presentations, limiting our ability to pass on increases in the prices of raw materials. Such voluntary consultations were terminated in 1996. Due to their gradual implementation, price increases in 1996, 1997 and 1998 did not totally offset the effect of inflation. We implemented strategic price increases throughout 2000 in Mexico, resulting in a 4.3% real price increase for the Mexican Territories for 2000. We anticipate additional price increases in 2001.

Taxation of Soft Drinks. Taxation of soft drinks differs in Mexico and Argentina. In Mexico, there are currently no specific taxes on soft drinks, although soft drinks are subject to an economy-wide value-added tax of 15%. Prior to November 1990, Mexican soft drinks were subject to an excise tax of 15.7%. We experienced significant growth in volumes and profitability upon the elimination of the Mexican excise tax in 1990. In Argentina, soft drinks are subject to an economy-wide value-added tax of 21%. Prior to 1996, cola soft drinks in Argentina were subject to an excise tax of 24%, which was lowered in April 1996 to 4.0%. From 1996 to December 31, 1999, the cola tax remained at 4%. On January 1, 2000, the Argentine government implemented a tax bill mandating that the cola tax be increased to 8% and that other flavored soft drinks and bottled water be taxed at 4%.

Water Supply Law. In Mexico, we purchase water directly from municipal water companies and pump water from our own wells pursuant to concessions obtained from the Mexican government on a plant-by-plant basis. Water use in Mexico is regulated primarily by the *Ley de Aguas Nacionales de 1992* (the 1992 Water Law), and regulations issued thereunder, which created the *Comisión Nacional del Agua* (the National Water Commission). The National Water Commission is charged with overseeing the national system of water use. Under the 1992 Water Law, concessions for the use of a specific volume of ground or surface water generally run for five-, ten- or fifteen-year terms, depending on the supply of groundwater in each region as projected by the National Water Commission. Concessionaires may request concession terms to be extended upon termination. The Mexican government is authorized to reduce the volume of ground or surface water granted for use by a concession by whatever volume of water is not used by the concessionaire for three consecutive years. However, because the current concessions for each of our plants in Mexico do not match each plant's projected needs for water in future years, we successfully negotiated with the Mexican government for the right to transfer the unneeded portion of rights under concessions from certain plants to other plants anticipating greater water usage in the future. Our concessions may be terminated if, among other things, (i) we use more water than permitted, (ii) we fail to pay required concession-related fees, and (iii) we fail to complete agreed-upon construction or improvements. We believe that we are in compliance with the terms of our existing concessions.

Although we have not undertaken independent studies to confirm the sufficiency of the existing or future groundwater supply, we believe that our existing concessions satisfy our current water requirements in Mexico. We can give no assurances, however, that groundwater will be available in sufficient quantities to meet our future production needs.

We do not currently require a permit to obtain water in Argentina. Because our Alcorta plant does not use water from underground sources, no permit for water use is necessary. Instead, we obtain water for the Alcorta plant via viaduct from Aguas Argentinas, a privately-owned concessionaire of the Argentine government. We can give no assurances, however, that water will be available in sufficient quantities to meet our future production needs.

Environmental Matters. Our operations in Mexico are subject to Mexican federal and state laws and regulations relating to the protection of the environment. The principal legislation is the federal *Ley General de Equilibrio Ecológico y Protección al Ambiente* (the General Law for Ecological Equilibrium and Environmental Protection, or the Environmental Law), which is enforced by the *Secretaría del Medio Ambiente, Recursos Naturales y Pesca* (the Ministry of the Environment, Natural Resources and Fisheries, or SEMARNAP). SEMARNAP can bring administrative and criminal proceedings against companies that violate environmental laws, and it also has the

power to close non-complying facilities. Under the Environmental Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances. In particular, Mexican environmental laws and regulations require that we file periodic reports with respect to air and water emissions and hazardous wastes and set forth standards for waste water discharge that apply to our operations. We are also subject to certain minimal restrictions on the operation of delivery trucks in Mexico City. We have implemented several programs designed to facilitate compliance with air, waste, noise, and energy standards established by current Mexican federal and state environmental laws, including a program that installs catalytic converters and liquid petroleum gas in delivery trucks for our operations in Mexico City. See "—Product Distribution."

In addition, we are subject to the *Ley Federal de Derechos* (the Federal Law of Governmental Fees). Adopted in January 1993, the law provides that plants located in Mexico City that use deep water wells to supply their water requirements must pay a fee to the city for the discharge of residual waste water to drainage. In 1995, municipal authorities began to test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by SEMARNAP. All of our bottling plants located in the Valley of Mexico Territory, as well as the Toluca plant, met these new standards in 2000, and as a result, we were not subject to additional fees. See "—Information of the Company—Production Facilities."

Our Argentine operations are subject to Argentine federal and provincial laws and regulations relating to the protection of the environment. The most significant of these are regulations concerning waste water discharge, which are enforced by the *Secretaría de Recursos Naturales y Ambiente Humano* (the Ministry of Natural Resources and Human Environment) and the *Secretaría de Política Ambiental* (the Ministry of Environmental Policy) for the province of Buenos Aires. Our Alcorta plant meets waste water discharge standards and is in compliance with these standards.

We have expended, and may be required to expend in the future, funds for compliance with and remediation under Mexican and Argentine environmental laws and regulations. We do not believe that such costs will have a material adverse effect on our results of operations or financial condition. However, since environmental laws and regulations and their enforcement are becoming increasingly more stringent in both Mexico and Argentina, to the extent that we cannot pass on to our customers the increased costs of compliance and remediation, such costs may have a material adverse effect on our future results of operations or financial condition.

BOTTLER AGREEMENTS

Bottler agreements are the standard contracts that The Coca-Cola Company enters into with bottlers outside the United States for the sale of concentrates for certain Coca-Cola trademark beverages. We manufacture, package, distribute, and sell soft drink beverages and bottled water in our Mexican Territories under the two Mexican bottler agreements we entered into with The Coca-Cola Company on June 21, 1993 (one of which, relating to the Southeast Territory, was amended on October 30, 1997). One Mexican bottler agreement governs the Valley of Mexico Territory and the other governs the Southeast Territory.

We also manufacture, package, distribute, and sell soft drink beverages and bottled water in our Buenos Aires Territory under our Buenos Aires bottler agreement signed on August 22, 1994. The contract was amended on December 1, 1995 and on February 1, 1996 to include the San Isidro area and again on June 2, 1998 to include the Pilar area. Both San Isidro and Pilar are part of the greater Buenos Aires area.

These bottler agreements provide that we will purchase our entire requirement of concentrates for Coca-Cola trademark beverages from The Coca-Cola Company and other authorized suppliers at prices, with terms of payment, and on other terms and conditions of supply as determined from time to time by The Coca-Cola Company at its sole discretion. Although the price multipliers used to calculate the cost of concentrate and the currency of payment, among other terms, are set by The Coca-Cola Company at its sole discretion, we set the price of products sold to retailers at our discretion, subject to the applicability of price restraints. We have the exclusive right to distribute Coca-Cola trademark beverages for sale in our territories in authorized containers of the nature prescribed by the bottler agreements and currently used by our company. These containers include various configurations of cans and returnable and non-returnable bottles made of glass and plastic. See "—The Company—Sales."

The bottler agreements include an acknowledgment by us that The Coca-Cola Company is the sole owner of the trademarks that identify the Coca-Cola trademark beverages and of the secret formulas with which The Coca-Cola Company's concentrates are made. Subject to our exclusive right to distribute Coca-Cola trademark beverages in our territories, The Coca-Cola Company reserves the right to import and export Coca-Cola trademark beverages to and from Mexico and Argentina. Our bottler agreements do not contain restrictions on The Coca-Cola Company's ability to set the price of concentrates charged to bottlers and do not impose minimum marketing obligations on The Coca-Cola Company. The prices at which we purchase concentrates under the bottler agreements may vary materially from the prices we have historically paid, including during the periods covered by our financial information attached to this Annual Report. Under our bylaws and the shareholders agreement, however, an adverse action by The Coca-Cola Company under any of the bottler agreements may result in a suspension of certain veto rights of the directors ("Series D Directors") appointed by The Coca-Cola Company through Inmex. This provides us with limited protection against The Coca-Cola Company's ability to raise concentrate prices. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."

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

- Maintain such plant and equipment, staff, and distribution facilities as are capable of manufacturing, packaging, and distributing the Coca-Cola trademark beverages in authorized containers in accordance with our bottler agreements and in sufficient quantities to satisfy fully the demand for these beverages in our territories;
- Undertake adequate quality control measures prescribed by The Coca-Cola Company;
- Develop, stimulate, and satisfy fully the demand for Coca-Cola trademark beverages using all approved means, which include the spending of advertising and other marketing funds;
- Maintain such sound financial capacity as may be reasonably necessary to assure performance by us and our affiliates of our obligations to The Coca-Cola Company; and
- Submit annually to The Coca-Cola Company our marketing, management, promotional and advertising plans for the ensuing year.

The Coca-Cola Company has no obligation to participate in expenditures for advertising and marketing, but it may, at its discretion, contribute to such expenditures and undertake independent advertising and marketing activities, as well as cooperative advertising and sales promotion programs that would require our cooperation and support. The Coca-Cola Company has in each of the past five years contributed approximately half of our advertising and marketing budget in the Mexican Territories and, since September 1994, approximately half of such budget in the Buenos Aires Territory. Although we believe that The Coca-Cola Company intends to continue to provide cooperative advertising funds, it is not obligated to do so under the bottler agreements. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders —The Shareholders Agreement."

Our two Mexican bottler agreements have terms of ten years and will each expire on June 20, 2003. The Buenos Aires bottler agreement has a term of ten years and will expire on September 1, 2004. The bottler agreements are automatically renewable for ten-year terms, subject to non-renewal by either party (with notice to the other party). The bottler agreements are subject to termination by The Coca-Cola Company in the event of default by us. The event of default provisions limiting the change in ownership or control of our company and the assignment or transfer of the bottler agreements are designed to preclude any person not acceptable to The Coca-Cola Company from obtaining an assignment of a bottler agreement or from acquiring our company, and are independent of similar rights of Inmex set forth in the shareholders agreement. These provisions may prevent changes in our principal shareholders (as discussed below), including mergers or acquisitions involving sales or dispositions of our capital stock, without the consent of The Coca-Cola Company. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders —The Shareholders Agreement."

In connection with our bottler agreements, we also entered into a tradename licensing agreement with the Coca-Cola Company on June 21, 1993, pursuant to which we are authorized to use certain trademark names of the Coca-Cola Company. The agreement has an indefinite term, but is terminated if we cease to manufacture, market, sell and distribute Coca-Cola products pursuant to the bottler agreements or if the shareholders agreement is terminated. The Coca-Cola Company also has the right to terminate the license agreement if we use its trademark names in a manner not authorized by the bottler agreements.

We entered into two supplemental agreements with The Coca-Cola Company on June 21, 1993 and September 1, 1994, which together clarify and expand certain provisions of our bottler agreements. Among other things, the supplemental agreements:

- Specify that we have a right of first refusal with respect to the production and distribution of certain new trademark products of The Coca-Cola Company in the territories;
- Detail the calculation of certain payments upon the occurrence of certain breaches;
- Describe certain rights of first negotiation and first refusal of The Coca-Cola Company upon termination of any of the bottler agreements;
- Set forth procedural details for notification and communication relating to specific provisions of the bottler agreements; and

- Provide that The Coca-Cola Company may authorize other distributors of post-mix syrup within the territories and will reimburse us for documented costs relating to enforcement actions to protect certain trademarks of The Coca-Cola Company.

DESCRIPTION OF PROPERTY

The following tables summarize the value of our properties at December 31, 2000.

Total Asset Value Summary
At December 31, 2000

	Book Value	
	(millions of pesos)	(% of total)
Mexican Territories	8,649.5	67.7%
Buenos Aires Territory	4,117.6	32.3%
Total	12,767.2	100.0%

Property, Plant and Equipment Summary
At December 31, 2000

	Book Value	
	(millions of pesos)	(% of total)
Valley of Mexico Territory	4,014.5	56.9%
Southeast Territory	1,756.0	24.9%
Buenos Aires Territory	1,284.8	18.2%
Total	7,055.3	100.0%

Production Facilities

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

- Increasing the annual capacity of our bottling plants;
- Installing clarification facilities to process different types of sweeteners;
- Installing plastic bottle-blowing equipment and can presentation capacity;
- Modifying equipment to increase flexibility to produce different presentations, including swing lines that can bottle both non-returnable and returnable presentations; and
- Closing obsolete production facilities.

Mexican Operations. As of December 31, 2000, we owned five bottling plants in the Valley of Mexico with a combined total installed annual capacity of 493.1 million unit cases and a capacity utilization of 70%. In the Southeast Territory, we operated four bottling plants with a combined total installed annual capacity of 118.6 million unit cases and with capacity utilization of 77%. In May 2001, we closed our Tlalpan 2 plant in the Valley of Mexico Territory.

As part of our objective to rationalize bottling capacity, we closed five plants in the Mexican Territories during 2000 and 2001. We have compensated for the installed capacity of the closed plants by increasing production at our other bottling facilities in the Mexican Territories. We also began the second phase of our project

to increase the installed capacity of our Toluca plant by approximately 60 million unit cases in December 2000. We expect the project to be completed in 2001 and to cost approximately Ps. 155 million.

As of December 31, 2000, we owned 14 and rented 5 large distribution centers in the Valley of Mexico Territory and owned 21 and rented 23 large distribution centers in the Southeast Territory.

Argentine Operations. As of December 31, 2000, we owned one bottling plant in the Buenos Aires Territory with a total installed annual capacity of 204.7 million unit cases and a capacity utilization of 55%. In June 2000, we ceased production operations at our San Justo plant but continue to use the plant's distribution center facilities.

As of December 31, 2000, we owned and operated 6 bottling lines and 4 distribution centers and rented one large distribution center in the Buenos Aires Territory.

Production Facility Summary
As of December 31, 2000

Mexican Territories		**Buenos Aires Territory**
Valley of Mexico	*Southeast*	
Cedro	Ixtacomitán	Alcorta
Cuautitlan	San Cristobal	
Toluca	Oaxaca	
Tlalpan 2[1]	Juchitán	
Los Reyes		

[1] Closed in May 2001.

SIGNIFICANT SUBSIDIARIES

In March 2000, we concluded a reorganization and consolidation of our subsidiaries as part of an effort to streamline our corporate structure and eliminate operational redundancies. This reorganization did not change the geographical markets in which we operate.

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2000.

Name of Company	Percentage Owned
Propimex, S.A. de C.V., a Mexican corporation	99.99%
Inmuebles del Golfo, S.A. de C.V., a Mexican corporation	99.99%
Refrescos y Aguas Minerales, S.A. de C.V., a Mexican corporation	99.99%
Coca-Cola FEMSA de Buenos Aires, S.A., an Argentine corporation	99.99%

Item 5. Operating and Financial Review and Prospects

General

The following discussion should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included in this Annual Report. The Consolidated Financial Statements have been prepared in accordance with Mexican GAAP, which differ in certain significant respects from U.S. GAAP. Notes 21 and 22 to the Consolidated Financial Statements provide a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us and a reconciliation to U.S. GAAP of majority net income and majority stockholders' equity.

The Consolidated Financial Statements were prepared giving effect to Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," and Bulletin B-12, "Statement of Changes in Financial Position," issued by the Mexican Institute of Public Accountants. The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to U.S. GAAP. See Notes 21 and 22 to the Consolidated Financial Statements and "Item 3. Key Information—Selected Financial Data."

In the following discussion, certain references are also made to nominal price changes. Nominal prices refer to the actual stated price charged for a product at a particular point in time and, therefore, nominal prices are not restated to adjust for inflation. Real price increases, which eliminate the effects of inflation, are lower than nominal price increases. Unless otherwise specified, all growth rates in the following discussion are stated in real terms.

Our results of operations continue to be affected by economic conditions in Mexico and Argentina. In periods of slow economic growth and high inflation, demand for soft drinks tends to be adversely affected, decreasing our sales volumes. In addition, devaluation of the peso, such as occurred most recently in 1998, results in exchange losses on our foreign-currency denominated indebtedness, increasing our financing costs. See "Item 3. Key Information—Risk Factors."

In 2000, the Mexican economy grew 6.9% as measured by GDP while the Argentine economy slipped into a 0.5% recession. We believe that the growing Mexican economy positively affected our sales volumes and supported the real average price increase experienced in the Mexican markets, while the weakened Argentine economy negatively affected our sales volumes and margins. We can make no assurances that economic conditions in Mexico and Argentina will not have adverse effects on our financial condition and results of operations. See "Item 3. Key Information—Risk Factors."

Results of Operations

The following table sets forth our consolidated income statement for the years ended December 31, 2000, 1999 and 1998:

	Year ended December 31,			
	2000	2000	1999	1998[1]
	(millions of U.S. dollars or constant Mexican pesos at December 31, 2000)			
Revenues				
Net sales	$ 1,717.2	Ps. 16,501.8	Ps. 15,100.4	Ps. 14,366.3
Other operating revenues	8.6	82.9	54.8	111.1
Total revenues	1,725.8	16,584.7	15,155.2	14,477.4
Cost of sales	856.0	8,225.7	7,989.5	7,994.2
Gross profit	869.8	8,359.0	7,165.7	6,483.2
Operating expenses:				
Administrative	135.0	1,297.7	1,098.3	962.1
Selling	416.6	4,003.7	3,728.9	3,458.7
Total operating expenses	551.7	5,301.4	4,827.2	4,420.8
Goodwill amortization	12.2	117.3	125.5	133.8
Fixed asset adjustment	–	–	–	55.7
Income from operations	306.0	2,940.3	2,213.0	1,872.9
Integral result of financing[2]				
Interest expense	35.1	337.2	447.8	543.9
Interest income[3]	(14.1)	(135.8)	(79.0)	(22.2)
Foreign exchange loss (gain)	35.7	342.7	36.3	120.2
Gain from monetary position	(0.6)	(6.1)	(99.6)	(223.0)
Total integral result of financing	56.0	538.0	305.5	418.9
Other income (expense), net	14.6	140.1	71.7	249.8
Income before income tax, tax on assets and employee profit sharing	235.4	2,262.2	1,835.8	1,204.2
Income tax, tax on assets and employee profit sharing	101.0	970.2	791.5	465.0
Net income	$ 134.4	$ 1,292.0	$ 1,044.3	$ 739.2
Majority income	$ 134.4	$ 1,292.0	$ 1,044.3	$ 739.2

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(1) Sales in 1998 include sales in the Pilar area of the Buenos Aires Territory, which we began servicing in June 1998.

(2) The gain on monetary position resulting from the liabilities incurred in connection with our purchase of shares of Coca-Cola FEMSA de Buenos Aires was computed using the inflation rate of Argentina, as the liability was considered to be an integral part of the investment in the foreign subsidiary. In addition, the foreign exchange loss generated by the liability was recorded directly in stockholders' equity. See Note 4 to the Consolidated Financial Statements.

(3) Interest income is subtracted from other integral costs of financing and therefore is expressed as a negative quantity.

Results of Operations for the Year Ended December 31, 2000 Compared to the Year Ended December 31, 1999

	Year ended December 31,			
	2000	1999	2000	1999
	Mexican Territories		Buenos Aires Territory	
	(millions of constant Mexican pesos at December 31, 2000)			
Revenues				
Net sales	Ps. 13,074.7	Ps. 11,373.6	Ps. 3,427.1	Ps. 3,726.8
Other operating revenues	45.3	28.7	37.6	26.1
Total revenues	13,120.0	11,402.3	3,464.7	3,752.9
Cost of sales	6,232.1	5,837.7	1,993.6	2,151.8
Gross profit	6,887.9	5,564.6	1,471.1	1,601.1
Operating expenses:				
Administrative	1,102.5	895.7	195.2	202.6
Selling	3,011.7	2,668.4	992.0	1,060.5
Total operating expenses	4,114.2	3,564.1	1,187.2	1,263.1
Goodwill amortization	7.1	7.1	110.2	118.4
Income from operations	Ps. 2,766.6	Ps. 1,993.4	Ps. 173.7	Ps. 219.6

Sales Volume. Sales volume in the Mexican Territories grew by 10.3% to 461.1 million unit cases during 2000 and represented 79.1% of our total sales volume. Sales volume in colas increased 10.9% in 2000 and flavored soft drinks increased 7.3%, in each case compared to 1999. Sales volume of *Ciel* water increased by 15.0% to 11.4 million unit cases.

The 10.3% sales volume growth in the Mexican Territories was the result of our continued advancement in (i) gathering and analysis of market information, (ii) increased availability of cold soft drink products as a result of investments in coolers and an increased number of points of sale, and (iii) our marketing efforts.

In Argentina, sales volume decreased by 3.6% to 121.5 million unit cases in 2000. Sales volume during 2000 in the Buenos Aires Territory in colas decreased 3.9% and flavored soft drinks by 2.4%, in each case compared to 1999. Sales volume of *Kin* water, a Coca-Cola trademark beverage we sell in Buenos Aires, declined by 17.5% during 2000.

In recent years the packaging trend in the soft drink industry has moved toward non-returnable presentations. In total, non-returnable presentations (including post-mix) represented 55.7% of our total soft drink sales in the Mexican Territories in 2000, compared to 55.5% in 1999. This slight increase was due to substantial growth in sales volume of non-returnable presentations in the Southeast Territory (from 43.3% of total sales in 1999 to 49.7% in 2000), offsetting the increased sales volume of returnable presentations in the Valley of Mexico (from 40.6% of total sales in 1999 to 42.2% in 2000). Despite the trend toward non-returnable presentations, we continue to promote the returnable package to protect smaller retailers in the Mexican Territories, who can sell returnable presentations for less than non-returnable packages and compete on price with larger retailers and against non-branded products. We believe the packaging mix should stabilize going forward.

In the Buenos Aires Territory, 90.2% of our total soft drink sales in 2000 were in non-returnable presentations (including post-mix), compared to 89.7% in 1999. We believe that the trend toward non-returnable presentations has stabilized and that the non-returnable/returnable package mix will remain at its current level.

Net Sales. Net sales growth in the Mexican Territories of 15.0% was due to the combination of strong volume growth and our pricing strategy, which focused on market segmentation and product price elasticity. At year end 2000, we recorded a 4.3% real price increase.

In Argentina, average real price per unit case decreased 4.9% in 2000 as consumers traded down for low-price non-branded soft drinks and larger presentations (with a lower price per milliliter). At the same time, no significant corresponding increase in sales volume has fully offset the resulting decline in unit case revenue. The decrease in sales volume and the lower average pricing resulted in an 8.0% reduction in net sales in 2000. In response to the highly competitive environment and in order to counteract the effects of price discounting, we have designed a brand portfolio strategy defined by segments to better target our consumers in the Buenos Aires Territory. During the second half of 2000, for example, we introduced *Taí*, a low-price brand, in a 2.25-liter presentation to compete within the low-price non-branded soft drink category.

Other Operating Revenues. Other operating revenues increased from Ps. 54.8 million in 1999 to Ps. 82.9 million in 2000. The 57.8% increase in other operating revenues within the Mexican Territories primarily consisted of increased sales of certain raw materials to third parties. An increase of 44.4% in other operating revenues in the Buenos Aires Territory resulted from an increase in sales of final products to other bottlers in Argentina.

Cost of Sales. The components of cost of sales include raw materials (principally sweeteners, soft drink concentrate, packaging materials and water), depreciation expenses attributable to our production facilities, wages and other employment expenses associated with the production labor force and certain overhead expenses. Labor costs in the Buenos Aires Territory are higher than in the Mexican Territories, both on an absolute and a relative basis, and reflect the higher cost of living index of Argentina as compared to Mexico. Concentrate prices for Coca-Cola trademark beverages, which are payable in local currency, are determined as a percentage of the wholesale price net of any value-added or similar taxes payable by us. See "Item 4. Information on the Company—The Company—Raw Materials."

As a percentage of net sales, cost of sales decreased 3.6 percentage points over 1999. In Mexico, we benefited from improved volumes leading to greater fixed-cost absorption, and lower sweetener costs. In addition, with a relatively stable peso, depreciating only 1.2%, and Mexican inflation of 9.1%, our dollar-denominated raw materials decreased slightly in real peso terms.

In Buenos Aires, cost of sales as a percentage of net sales remained stable at 58.0%. Although we saw real decreases in our sweetener costs, these where offset by the effect of lower sales volume and prices as well as a slight increase in non-returnable packaging costs.

Operating Expenses. Consolidated operating expenses increased by 9.8% to Ps. 5.301 billion in 2000 from Ps. 4.827 billion in 1999. The increase was the result of an increase in 2000 of 7.4% in selling expenses and an 18.2% increase in administrative expenses.

As a percentage of total sales, selling and administrative expenses increased slightly, by 10 basis points. Selling expenses as a percentage of total sales in the Mexican Territories increased 43 basis points. The increases of selling expenses in the Mexican Territories were primarily due to increased variable compensation, increased maintenance and increased non-cash expenses related to our capacity rationalization. Administrative expenses for the Mexican operations increased 23.1%, reflecting higher real wages in both operations and corporate areas.

In Argentina, selling expenses as a percentage of total sales increased 36 basis points, representing a 6.5% decrease in absolute terms. Administrative expenses in Argentina decreased 3.8%. The decrease in both selling and administrative expenses was primarily due to our efforts to further lower fixed costs in the challenging deteriorating Argentine economic environment.

Goodwill. Goodwill amortization for 2000 was Ps. 117.3 million, compared to Ps. 125.5 million for 1999, reflecting a 6.5% reduction. The primary reason for the reduction was the effect of Mexican inflation on goodwill associated with the 1994 acquisition of Coca-Cola FEMSA de Buenos Aires when restated in 2000 Mexican pesos.

Operating Income. Consolidated income from operations after amortization of goodwill grew by 32.9% to Ps. 2.94 billion in 2000. With lower cost of sales per unit and a slight increase in operating expenses, we saw a 310 basis point improvement in profitability as measured by operating income as a percentage of total sales.

Integral Cost of Financing. Integral cost of financing refers to the combined financial effects of (i) net interest expense or interest income, (ii) net foreign exchange gains or losses and (iii) net gains or losses on monetary position. Net foreign exchange gains or losses represent the impact of changes in foreign exchange rates on assets or liabilities denominated in currencies other than pesos. A foreign exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the peso between the time the liability is incurred and the date it is repaid, as the appreciation of the foreign currency results in an increase in the amount of pesos which must be exchanged to repay the specified amount of the foreign currency liability. The gain or loss on monetary position refers to the impact of inflation on these monetary assets and liabilities.

Our investment in Coca-Cola FEMSA de Buenos Aires is considered for accounting purposes to be an economic hedge against the U.S. dollar debt incurred to finance the investment. As a result, the foreign exchange loss on the U.S. dollar debt incurred to finance this transaction is recorded as part of the cumulative translation adjustment and offsets any exchange gain on the net investment. Although the investment is in Argentine pesos and the related debt is denominated in U.S. dollars, the Argentine peso has been pegged at a value of one Argentine peso to one U.S. dollar since April 1, 1991. The foreign exchange loss is deductible for Mexican tax purposes, and the resulting tax benefit is also recorded as part of the cumulative translation adjustment.

Net interest expense decreased by 45.4% primarily due to lower interest costs, which resulted from paying down our debt in 1999, and interest income earned from higher cash balances.

The gain on monetary position decreased from Ps. 99.6 million to Ps. 6.1 million. The change was due to higher accounts payable in Mexico throughout the year, considerably lower Mexican inflation, and deflation recorded in Argentina.

Notwithstanding the strength of the Mexican peso throughout 2000 (depreciating only 1.2%), we recorded a U.S. $33 million foreign exchange loss. The loss was due to our losses on an investment in dollar-forward contracts. In May 1999, in anticipation of the Mexican presidential election of 2000, we invested in dollar-forward contracts to hedge our 2000 foreign exchange exposure (presented primarily by dollar-denominated packaging requirements and interest payments for the year). Through these contracts we insulated our company from the foreign exchange risk associated with an election year in Mexico by locking in our dollar-denominated costs. The unexpected strength of the peso during 2000 resulted in losses taken on those contracts. See "Item 3. Key Information—Risk Factors—Risks Related to Mexico."

The combined financial effects of the foregoing resulted in a 76.1% increase in the integral cost of financing from Ps. 305.5 million in 1999 to Ps. 538.0 million in 2000.

Other Expenses. Other expenses reached Ps. 140.1 million in 2000 as compared to Ps. 71.7 million in 1999. Other expenses rose primarily due to our continued efforts to rationalize our operations and reduce our employees in both operations and at our corporate offices. Other expenses also included one-time charges totaling approximately Ps. 52 million to the *Instituto Méxicano del Seguro Social* (Mexican Social Security Institute) related to employee benefits.

Income Tax, Tax on Assets and Employee Profit Sharing. Income tax, tax on assets and employee profit sharing increased 22.6 % from Ps. 791.5 million in 1999 to Ps. 970.2 million in 2000. Our consolidated effective income tax, tax on assets and employee profit sharing rate decreased from 43.1% in 1999 to 42.9% in 2000. Beginning in 2000, a new accounting principle, Bulletin D-4, became effective for accounting of income and asset taxes, which requires the recognition of the deferred effect of those items. See "—Future Impact of Recently Issued Accounting Standards."

Net income. Net income for 2000 increased 23.7% to Ps. 1.292 billion from Ps. 1.044 billion in 1999. The increase was driven by the 32.9% increase in operating income and was only partially offset by the 76.1% increase in integral cost of financing.

Results of Operations for the Year Ended December 31, 1999 Compared to the Year Ended December 31, 1998

	Year ended December 31,							
	Mexican Territories				Buenos Aires Territory			
	1999		1998		1999		1998[1]	
	(millions of constant pesos at December 31, 2000)							
Revenues								
Net sales	Ps.	11,373.6	Ps.	10,635.8	Ps.	3,726.8	Ps.	3,730.5
Other operating revenues		28.7		24.5		26.1		86.6
Total revenues		11,402.3		10,660.3		3,752.9		3,817.1
Cost of sales		5,837.7		5,683.5		2,151.8		2,310.7
Gross profit		5,564.6		4,976.8		1,601.1		1,506.4
Operating expenses:								
Administrative		895.7		757.5		202.6		204.6
Selling		2668.4		2,463.3		1,060.5		995.4
Total operating expenses		3,564.1		3,220.9		1,263.1		1,199.9
Goodwill amortization		7.1		7.0		118.4		126.4
Fixed asset adjustment		–		55.7		-		-
Income from operations	Ps.	1,993.4	Ps.	1,693.2	Ps.	219.6	Ps.	179.7

(1) Sales in 1998 include sales in the Pilar area of the Buenos Aires Territory, which we began servicing in June 1998.

Sales Volume. Sales volume in the Mexican Territories grew by 4.2% to 418.1 million unit cases during 1999 and represented 76.8% of our total sales volume. Sales volume in colas increased 5.5% in 1999 and flavored soft drinks increased 1.7%, in each case compared to 1998. Sales volume of *Ciel* water decreased by 10.1% to 9.9 million unit cases.

In Argentina, including the additional volumes from the Pilar area under our control from June 2, 1998, sales volume increased by 6.5% to 126.1 million unit cases in 1999; comparable sales volume in the Buenos Aires Territory (excluding the Pilar area) increased 3.4% during the year. Including volume from the Pilar area, sales volume during 1999 in the Buenos Aires Territory in colas increased 5.2% and flavored soft drinks increased 12.3%, in each case compared to 1998. Sales volume of *Kin* water, a Coca-Cola trademark beverage we sell in the Buenos Aires Territory, declined by 20.8% during 1999.

In Mexico, our non-returnable presentations (including post-mix) represented a significantly higher percentage of our sales volume in 1999, compared to 1998, increasing from 49.0% of total volume to 55.5%. In Argentina, non-returnable presentations represented 89.6% of sales volume in 1999, compared to 89.2% in 1998.

The 4.8% volume growth in the Mexican Territories was better than the estimated Mexican soft drink industry growth in Mexico, which measured 2% to 3%. We continued to focus on volume driving initiatives such as (i) the use of hand-held computers by our sales people, (ii) our pre-sale distribution system, (iii) increased availability of cold soft drink products as a result of investments in cold drink equipment, and (iv) continued marketing efforts.

Net Sales. Net sales revenue growth exceeded volume growth in the Mexican Territories primarily due to our efforts to reach an improved price/volume ratio. The 2.6% real price increase in the twelve months ended December 31, 1999 more than offset the negative effect on average pricing of the increasing importance of multi-serving presentations, which are products in packaging sizes greater than one liter and which are sold for a lower price per ounce of liquid than smaller, personal-size presentations. In 1999, approximately 54.1% of our sales volume was sold in presentations greater than one liter compared to 55.6% in 1998. Despite this slight decrease in 1999, we expect the trend toward multi-serving presentations to continue.

In Argentina, average real price per unit case decreased 6.1% in 1999 primarily due to: (i) a significant slow-down in the Argentine economy in 1999, (ii) the continued growth in importance of lower price/volume multi-serving packages in our product mix, from 76.8% to 78.1% of the product mix, and (iii) heavy price competition. The growth in sales volume in larger presentations only partially offset the lower average pricing and, as a result, net sales revenue decreased by 0.1% in 1999.

Other Operating Revenues. Other operating revenues decreased from Ps. 111 million in 1998 to Ps. 55 million in 1999. The 17.1% increase in other operating revenues within the Mexican Territories, which primarily consists of the sale of certain raw materials to other bottlers, only partially offset the 69.9% decrease in other operating revenues in the Buenos Aires Territory. The sharp decline in Buenos Aires was due to significantly lower sales of final products to other bottlers in Argentina.

Cost of Sales. As a percentage of net sales, cost of sales decreased 3.7 percentage points over 1998. In both Mexico and Buenos Aires, we benefited from improved volumes leading to greater fixed-cost adjustments, and lower price of dollar-denominated raw materials, including HFCS, aluminum cans, and plastic bottles. In addition, a 3.9% appreciation of the peso improved our cost structure in that country. In Buenos Aires, where we purchase finished products of its can presentations, a price reduction of product purchased from CICAN was a material factor in lowering cost of sales.

CICAN is a joint venture between participating Coca-Cola bottlers in Argentina, Uruguay, and Paraguay. We own an approximate 48.1% equity interest in CICAN. As a result of price reduction, our cost of sales was reduced while the profits distributed in the form of dividends to our company as a CICAN shareholder decreased.

Operating Expenses. Consolidated operating expenses increased by 9.2% to Ps. 4.827 billion in 1999 from Ps. 4.421 billion in 1998. In 1999, consolidated selling expenses increased by 7.8% to Ps. 3.729 billion from Ps. 3.459 billion in 1998. Consolidated administrative expenses increased by 14.2% to Ps. 1.098 billion in 1999 from Ps. 962 million in 1998. 1998 figures include the Ps. 55.7 million fixed asset adjustment recorded during that year.

As a percentage of sales, selling and administrative expenses increased by 0.95 percentage points. Selling expenses as a percentage of total revenues in the Mexican Territories remained at 23.4%. In Argentina, selling expenses as a percentage of total revenues increased from 26.1% in 1998 to 28.3% in 1999, representing a 2.2 percentage points increase. The increases of absolute selling expenses in both the Mexican and Buenos Aires Territories were primarily due to increased variable compensation increases, increased maintenance and increased non-cash expenses related to our accelerated depreciation schedule policy for 1998 going forward. Administrative expenses in the Mexican and Buenos Aires Territories increased 15.2% and decreased 1.0%, respectively, reflecting higher real wages in both operations and corporate areas.

Goodwill. Goodwill amortization for 1999 was Ps. 126 million, compared to Ps. 134 million for 1998, reflecting a 6.2% reduction. The primary reason for the reduction was the 3.9% appreciation of the peso in 1999, which reduced goodwill booked in Argentine pesos.

Operating Income. Consolidated income from operations after amortization of goodwill and including a one-time fixed-asset adjustment of Ps. 55.7 million in 1998 grew by 18.2% to Ps. 2.213 billion for the year ended December 31, 1999. On a comparable basis, excluding the one-time fixed-asset adjustment, consolidated income from operations after goodwill increased 14.7%. With lower cost of sales and a slight increase in operating expenses, we saw a 1.7 percentage point improvement in profitability as measured by operating income as a percentage of total sales.

Integral Cost of Financing. The integral cost of financing decreased 27.1% from Ps. 419 million in 1998 to Ps. 306 million in 1999. Net interest expense decreased by 29.3% primarily due to: (i) a 3.9% appreciation of the Mexican peso against the U.S. dollar, (ii) our lower debt levels and (iii) our higher cash balance. During 1999, we paid down a net US$95.3 million of bank debt.

The gain on monetary position decreased by 55.3% from Ps. 223 million to Ps. 100 million. The change reflected our lower debt position, considerably lower Mexican inflation and deflation recorded in Argentina.

Notwithstanding the 3.9% appreciation of the peso against the U.S. dollar during 1999, we reported a foreign exchange loss of Ps. 36 million. The exchange loss was largely due to losses generated by our investment in dollar-forward contracts. Beginning in June 1999, through the use of these dollar-forward contracts, we began hedging our foreign exchange exposure represented primarily by dollar-denominated non-returnable packaging requirements.

Other Expenses. Other expenses are primarily related to our continued efforts to rationalize our operations and a work force reduction both in operations and corporate offices. Other expenses reached Ps. 72 million in 1999 as compared to Ps. 250 million in 1998. On September 30, 1999, we announced a reclassification of expenses associated with the write-off of plant equipment. Prior to September 1999, these write-offs were recorded as other expenses. Retroactive to January 1, 1999, all asset write-offs are recorded as operating expenses.

Income Tax, Tax on Assets and Employee Profit Sharing. Income tax, tax on assets and employee profit sharing increased 70.2 % from Ps. 465 million in 1998 to Ps. 792 million in 1999. Our consolidated effective income tax, tax on assets and employee profit sharing rate increased from 38.6% in 1998 to 43.1% in 1999. The increase was attributable to: (i) the absence of the 1998 tax benefit of accelerated depreciation related to the initial investment in the Toluca plant and other fixed assets during that year, (ii) higher non-deductible expenses including the write-off of fixed assets, (iii) the depletion of tax-loss carryforwards in Argentina as of December 1998 and (iv) changes in the Mexican and Argentine tax laws.

Net income. Net income for 1999 increased 41.3% to Ps. 1,044 million from Ps. 739 million in 1998. The increase was driven by the 18.2% increase in operating income and the 27.1% decrease in integral cost of financing, which were only partially offset by the higher effective rate of taxes on income and assets.

Liquidity and Capital Resources

Liquidity. In the past, our liquidity has been provided by internal cash generation and borrowings. In 1994, we issued U.S. $100 million of 10-year notes to finance the acquisition of 51.0% of Coca-Cola FEMSA de Buenos Aires. These notes bear interest at a fixed annual rate of 9.4% and were privately placed with investors outside Mexico.

On November 1, 1996, we issued 8.95% Notes due November 1, 2006 in an aggregate principal amount of U.S. $200 million. We used the proceeds from the notes to repay all of our outstanding indebtedness under a syndicated loan. The notes bear interest at a fixed annual rate of 8.95% and are repayable in a single installment on November 1, 2006.

As of December 31, 2000 we had outstanding debt with Banque Paribas for approximately U.S. $1.4 million which bears interest at an average rate of 7.7% per year, which was used to finance plastic bottle blowing equipment. In addition, we had U.S. $4.7 million of debt with GE Capital Leasing, which bears interest at an annual rate of 9.4%. This financing was used to acquire distribution equipment through capital leasing.

We did not repay any debt during 2000. At December 31, 2000 and at June 12, 2001, we had no short-term debt.

We generated net resources from operations of Ps. 2.501 billion in 2000 and Ps. 2.887 billion in 1999. Uses of funds included aggregate investments (including deferred charges) of Ps. 4.895 million. At December 31, 2000 and 1999, our consolidated cash and cash equivalents position was Ps. 1.920 billion and Ps. 581.5 million, respectively.

Our primary source of liquidity is expected to continue to be internally generated funds, supplemented by borrowing facilities with third-parties. At December 31, 2000, we had unused, uncommitted lines of credit of Ps. 3,220 million, approximately 78% of which were in U.S. dollars. We believe that internal resources and our

access to credit facilities will be adequate to meet currently expected working capital needs and to finance a significant portion of future capital expenditures.

Capital Resources. We operate in a capital-intensive industry requiring significant investments in revenue-producing assets and updating of the physical plant and manufacturing technology of our various product lines. We intend to fund our capital expenditure program with cash on hand, consolidated cash flow from operations and third-party providers of funds.

During 2000, our capital expenditures in Mexico and Argentina totaled approximately Ps. 900 million and were primarily related to building additional capacity within more efficient facilities, increasing the efficiency of our distribution infrastructure, placing refrigeration equipment, advancing information technology and relocating our corporate headquarters. See "Item 4. Information on the Company—The Company—Capital Expenditures."

U.S. GAAP Reconciliation

Under U.S. GAAP, we had approximate net income of Ps. 1,398.5 million in 2000, Ps. 1,066.5 million in 1999 and Ps. 561.6 million in 1998. Net income as reconciled to U.S. GAAP was higher than net income as reported under Mexican GAAP by Ps. 106.5 million in 2000 and Ps. 22.1 million in 1999 and lower by Ps. 177.6 million in 1998.

Stockholders' equity under U.S. GAAP was Ps. 6,485.0 million in 2000, Ps. 5,509.6 million in 1999 and Ps. 5,028.1 million in 1998. Compared to Mexican GAAP, stockholders' equity under U.S. GAAP was Ps. 74.7 million higher in 2000 and Ps. 767.0 million and Ps. 515.7 million lower in 1999 and 1998, respectively.

The principal differences between Mexican GAAP and U.S. GAAP that affect our net income and stockholders' equity relate to the accounting of:

- Deferred income taxes;
- Deferred employee profit sharing;
- Capitalization of interest expense;
- Restatement of machinery and equipment;
- Labor liabilities; and
- Effect of all of the above on monetary gains.

Under Mexican Accounting Principles Bulletin D-4, which went into effect on January 1, 2000, our deferred income tax under Mexican GAAP will be much closer to U.S. GAAP than in the past, resulting in a smaller U.S. GAAP difference with respect to this item. See "—Future Impact of Recently Issued Accounting Standards."

Note 21 to the Consolidated Financial Statements provides a more detailed description of the differences between Mexican GAAP and U.S. GAAP as they relate to our company. Note 22 to the Consolidated Financial Statements provides a reconciliation to U.S. GAAP of net income and stockholders' equity.

Future Impact of Recently Issued Accounting Standards

In December 1999, the Mexican Institute of Public Accountants issued Bulletin C-2, "Financial Instruments," which will be mandatory for all Mexican companies in 2001. Bulletin C-2 requires an enterprise to recognize all of its contractual rights or obligations under derivatives in its balance sheet as assets or liabilities and to measure those instruments at their fair value. Changes in the fair value of a derivative will be included in current earnings, regardless of their nature.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which goes into effect in 2001 for U.S. GAAP purposes. This new standard will also require recognition of all derivatives on the balance sheet as either assets or liabilities and the measurement of such instruments at their fair value. Changes in the fair value of the derivatives are recognized in earnings, unless specific hedge accounting criteria are met. Gains and losses on derivative hedging instruments must be recorded in either other comprehensive income or current earnings, depending on the nature of the instrument.

We contracted certain financial instruments and determined their fair value as described in Note 16 to the Consolidated Financial Statements. The impact on the Consolidated Financial Statements if we had applied the guidelines of Bulletin C-2 and SFAS 133 beginning in 2000, would have been to recognize a liability in the amount of Ps. 70,557 and a reduction in net income. As of the date of our Consolidated Financial Statements we had not determined the total impact of SFAS 133. However, we anticipate that the impact will be similar to that computed under Bulletin C-2. We continue to analyze all the outstanding contracts to determine if they include any implied derivative that must be evaluated under SFAS 133.

A new Mexican Accounting Principles Bulletin D-4 "Accounting for Income Tax, Asset Tax and Employee Profit Sharing," went into effect on January 1, 2000. The new bulletin modifies the rules with respect to the computation of deferred income tax, requiring that deferred tax assets and liabilities be recorded for all temporary differences that arise from the reconciliation between the accounting and tax basis of assets and liabilities. See Notes 4(n) and 21(f) to the Consolidated Financial Statements.

Item 6. Directors, Senior Management and Employees

Directors

Management of our business is vested in the board of directors. Our bylaws provide that the board of directors will consist of at least sixteen directors elected at the annual ordinary shareholders' meeting for renewable terms of one year. Our board of directors currently consists of sixteen directors and eleven alternate directors. The directors are elected as follows: eleven directors and six alternate directors are elected by holders of the Series A Shares voting as a class; four directors and up to four alternate directors are elected by holders of the Series D Shares voting as a class; and one director and one alternate director are elected by holders of the Series L Shares voting as a class. A director may only be elected by a majority of shareholders of the appropriate series, voting as a class, represented at the meeting of shareholders, and not by shareholders of all series present at the annual ordinary shareholders' meeting. Holders of any series of our shares who do not vote in favor of the directors elected by the holders of a majority of shares of such series are entitled, acting separately or in groups of shareholders of any series, to elect one additional director and the corresponding alternate director for each 10% of our outstanding capital stock held by such dissenting shareholder or group of shareholders. These directors and alternate directors will not be counted as part of the minimum number of directors set forth in our bylaws and will be in addition to those elected by the majority of holders of Series A Shares, Series D Shares and Series L Shares.

Pursuant to our bylaws, any alternate director present at any duly convened meeting at which a director elected by holders of the same series of shares is absent may assume the position of the absent director in the order set forth below and may vote at any such meeting.

Our bylaws provide that the board of directors shall meet at least four times a year. Actions by the board of directors must be approved by at least a majority of the directors present and voting, which (except under certain circumstances) must include at least two directors elected by the Series D shareholders. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."

None of our directors has a service contract providing for benefits upon termination of employment.

As of March 1, 2001, our current board of directors included the following members (including alternate directors):

Directors	Current Position	Born	First Elected	Term Expires
Series "A"				
José Antonio Fernández Carbajal(1)	Chief Executive Officer, Fomento Económico Mexicano, S.A. de C.V.	February, 1954	1993	2002
Alfonso Garza Garza(2)	General Director, Grafo Regia, S.A. de C.V.	July, 1962	1996	2002
Juan Carlos Braniff Hierro(1)	Vice Chairman of the Board, Grupo Financiero BBVA Bancomer, S.A. de C.V.	April, 1957	1993	2002
Carlos Salazar Lomelín	Chief Executive Officer, Coca-Cola FEMSA, S.A. de C.V.	April, 1951	2000	2002
Ricardo Guajardo Touché	Chairman of the Board, Grupo Financiero BBVA Bancomer, S.A. de C.V.	May, 1948	1993	2002
Alfredo Martínez Urdal	Chief Executive Officer, FEMSA Cerveza	September, 1931	1993	2002
Federico Reyes García	Executive Vice President, Planning and Finance of Fomento Económico Mexicano, S.A. de C.V.	September, 1945	1993	2002
Eduardo Padilla Silva	Chief Executive Officer, FEMSA's Strategic Business Division	January, 1955	1997	2002

Directors	Current Position	Born	First Elected	Term Expires
Armando Garza Sada[(2)]	General Director, Versax, S.A. de C.V.	June, 1957	1998	2002
Daniel Servitje Montul	Chief Executive Officer, Grupo Industrial Bimbo, S.A. de C.V.	April, 1959	1998	2002
Herbert Allen III	Investment Banker, Allen & Company Inc. New York, NY	June, 1967	2000	2002
Series "D"				
Jeffrey T. Dunn	President and Chief Operating Officer, Coca-Cola Americas; Executive Vice President, The Coca-Cola Company	April, 1957	2001	2002
James E. Chesnut	Executive Vice President of Operations Support, The Coca-Cola Company	April, 1950	1993	2002
Charles H. McTier	President, Robert W. Woodruff Foundation, Inc.	January, 1939	1998	2002
Bárbara Garza Gonda[(3)]	President, Fundación Cultural Bancomer, A.C.	February, 1964	1999	2002
Series "L"				
Alexis E. Rovzar de la Torre	Executive Partner, White & Case S.C.	July, 1951	1993	2002

(1) Son-in-law of Eugenio Garza Lagüera.
(2) Nephew of Eugenio Garza Lagüera.
(3) Daughter of Eugenio Garza Lagüera.

Eugenio Garza Lagüera has been named the Honorary (Non-Voting) Life Chairman of our board of directors. In addition, our Alternate Series A Directors include Francisco J. Fernández Carbajal, Mariana Garza Gonda, Alfredo Livas Cantú, Guillermo Chávez Eckstein, Ricardo González Sada and Gerardo Estrada Attolini. Our Alternate Series D Directors include Patricia Powell, David Taggard, and Gary Fayard. Finally, our Alternate Series L Director is Fernando Pardo Ramírez. The Secretary of the board is Carlos Eduardo Aldrete Ancira and the Alternate Secretary of the board is David González Vessi.

Board Committees

Our board of directors has the following committees:

1. *Audit Committee*, which consists of Herbert Allen III, Alfonso Garza Garza, Charles H. McTier, Herbert Allen III and Alexis E. Rovzar de la Torre. This committee recommends to our board of directors candidates to serve as our external examiners, ensures the independence and objectivity of the external examiners, and recommends to our board of directors procedures for the preparation of financial information.

2. *Finance Committee*, which consists of James E. Chesnut, Armando Garza Sada, Ricardo Guajardo Touché, Alfredo Martínez Urdal and Federico Reyes García. This committee evaluates the investment and financing policies proposed by our chief executive officer, furnishes an opinion with respect to the annual budget and ensures the implementation of the budget and any proposed strategic plan, identifies risk factors to which we are exposed and evaluates risk management policies.

3. *Human Resources Committee*, which consists of Juan Carlos Braniff Hierro, Jeffrey T. Dunn, Eduardo Padilla Silva and Daniel Servitje Montul. This committee recommends procedures for the election of our chief executive officer and other senior executives, proposes to our board of directors criteria for the evaluation of the chief executive officer and senior executives, and analyzes our chief executive officer's recommendations with respect to the structure and amount of compensation for our key executives.

Examiners

We currently have two examiners, one elected by the Series A shareholders and one by the Series D shareholders, and two alternate examiners, one elected by the Series A shareholders and one by the Series D shareholders. Mexican law requires that the examiners receive monthly reports from our board of directors regarding material aspects of our affairs, including our financial condition. The primary role of the examiners is to report to our shareholders at the annual ordinary shareholders' meeting on the accuracy of the financial information presented to such examiners by the board of directors. The table below sets forth our current examiners.

Examiner	Current Position	Born	First Elected	Term Expires
Series "A"				
José Manuel Canal Hernando	Senior Managing Director, Ruíz, Urquiza & Co., S.C., member of Andersen Worldwide Organization, S.C.	February, 1940	1993	2002
Series "D"				
Fausto Sandoval Amaya	Partner, Ernst & Young L.L.P.	February, 1942	1993	2002

Our Alternate Series A Examiner is Ernesto González Dávila, and our Alternate Series D Examiner is Humberto Ortíz Gutiérrez.

Executive Officers

The following table lists our principal executive officers, their current position, their date of birth and year of appointment as an executive officer of our company:

Executive Officers	Position	Born	Appointed to Current Position
Carlos Salazar Lomelín	Chief Executive Officer	April, 1951	2000
Ernesto Torres Arriaga	Vice President	July, 1936	1995
Héctor Treviño Gutiérrez	Chief Financial and Administrative Officer	August, 1956	1993
John Santa María Otazúa	Director of Strategic Planning and Business Development	August, 1957	2000
Rafael Suárez Olaguibel	Chief Operating Officer – Mexico	April, 1960	2000
Ernesto Silva Almaguer	Chief Operating Officer – Buenos Aires	March, 1953	2000
Domingo Vaccarezza	Technical Director	May, 1944	1997
Eulalio Cerda Delgadillo	Human Resources Director	July, 1958	2000

Director and Officer Biographies

Eugenio Garza Lagüera, our Honorary Life Chairman, has served on our board of directors since 1993. He also serves as Regional Advisor of Banco de México, a member of the executive committee of the National Environment for Culture and the Arts, and Honorary Life Chairman of Instituto Tecnológico de Estudies Superiores de Monterrey

(“ITESM”), Grupo Financiero BBVA Bancomer, S.A. de C.V. and FEMSA. Mr. Garza Lagüera joined FEMSA in 1946 in the research department of Cervecería Cuauhtémoc. Mr. Garza Lagüera holds degrees in Chemical Engineering from the University of Texas and in Business Administration from ITESM.

José Antonio Fernández Carbajal has served as a Series A Director since 1993. He has been the Chief Executive Officer of FEMSA since 1995 and also serves as Chairman of the Board of FEMSA, Vice-Chairman of the Board of ITESM, a member of the boards of directors of Grupo Financiero BBVA Bancomer, S.A. de C.V. and Grupo Industrial Bimbo, S.A. de C.V. He has also held directorships at FEMSA Cerveza’s Commercial Division and Oxxo Retail Chain. He joined FEMSA in 1987 in the strategic planning department and has been involved in many managerial and operational aspects of FEMSA’s businesses. Mr. Fernandez holds a degree in Industrial Engineering and an MBA from ITESM.

Alfonso Garza Garza has served as a Series A Director since 1996. He is General Director of Grafo Regia, S.A. de C.V. Mr. Garza also serves as an alternate director of FEMSA and Cervecería Cuauhtémoc Moctezuma, S.A. de C.V., a member of the boards of directors of the Hospital San José, CAINTRA N.L., COMCE Noreste, Premio Eugenio Garza Sada and CONACEX Noreste. Mr. Garza joined FEMSA in 1985 and has been involved in several business units and departments, including Domestic Sales, International Sales, Procurement and Marketing, mainly in Cervecería Cuauhtémoc Moctezuma, S.A. de C.V. and FEMSA’s Packaging Division. Mr. Garza holds a degree in Industrial Engineering from the ITESM and an MBA from Instituto Panamericano de Alta Dirección de Empresa (“IPADE”).

Juan Carlos Braniff Hierro has served as a Series A Director since 1993. He is Vice Chairman of the board of Grupo Financiero BBVA Bancomer, S.A. de C.V. Mr. Braniff also serves on the boards of directors of El Paso Energy Corp., Maizoro, S.A. de C.V. and FEMSA. Mr. Braniff has extensive experience in financial services such as capital and patrimonial investments, mortgage banking, commercial banking, international banking, and e-banking. Mr. Braniff holds a degree in Industrial Design from Universidad Autónoma de México, Atzcapotzalco.

Carlos Salazar Lomelín has served as both our Chief Executive Officer and a Series A Director since 2000. Mr. Salazar also serves as Member of the Board of Review of Grupo Financiero BBVA Bancomer, S.A. de C.V., Afore Bancomer, S.A., Operadora Merco, S.A. de C.V., and Cintermex & Apex. In the past, Mr. Salazar has held general directorships in several business units of FEMSA, including Grafo Regia, Plásticos Técnicos Mexicanos, FEMSA Cerveza Export, Commercial Planning in Grupo Visa, and finally, Chief Executive Officer of FEMSA Cerveza. Mr. Salazar received a degree in Economics from ITESM, a graduate degree in Economic Development in Italy from the Instituto di Studio per lo Suiluppo and Cassa di Risparino delle Provincie Lambarda and an MBA from ITESM.

Ricardo Guajardo Touché has served as a Series A Director since 1993. He is currently the Chairman of the Board of Grupo Financiero BBVA Bancomer, S.A. de C.V. Mr. Guajardo also serves on the boards of directors of El Puerto de Liverpol, S. A. de C.V., Transportación Marítima Mexicana, S.A. de C.V., Grupo Industrial Alfa, S.A. de C.V., Grupo Financiero BBVA Bancomer, S.A. de C.V., Aeropuertos del Sureste, S.A. de C.V. and ITESM. Prior to serving as a director of our company, Mr. Guajardo held managerial positions in Grupo Visa and executive directorships in the financial divisions of Grupo AXA and Grupo VAMSA. Mr. Guajardo holds degrees in Electrical Engineering from ITESM and the University of Wisconsin and a Masters Degree from the University of California at Berkeley.

Alfredo Martínez Urdal has served as a Series A Director since 1993. He is the Chief Executive Officer of FEMSA Cerveza. Mr. Martínez-Urdal also serves on the boards of directors of BBVA Bancomer S.A. and Grupo Financiero BBVA Bancomer, S.A. de C.V. From 1993 until 1999 he held the position of Chief Executive Officer of our company, and he has also served as Chief Executive Officer of many prominent Mexican companies and banks, including Ponderosa Industrial Accel, Grupo Chihuahua, Multibanco Comermex, Celulosa de Chihuahua, and Banco Comercial Mexicano. Mr. Martínez-Urdal holds a degree in Economics from the Western Reserve University, a degree in Law from Universidad Nacional Autónoma de México (“UNAM”) and a graduate degree from Harvard Business School.

Federico Reyes García has served as a Series A Director since 1993. He is the Executive Vice President of Planning and Finance of FEMSA. Mr. Reyes also serves as Vice Chairman of the board of directors of Seguros Monterrey New York Life, Chairman of the Board of Review of Fianzas Monterrey, and a member of the board of

directors of the Universidad de Monterrey ("UDEM"). Mr. Reyes has also served as the Director of Corporate Development of FEMSA. In addition, he acted as Director of Corporate Staff at Grupo AXA, a major manufacturer of electrical equipment, and has extensive experience in the insurance sector, serving six years as Chief Executive Officer of Seguros Monterrey and Fianzas Monterrey. Mr. Reyes holds a degree in Business and Finance from ITESM.

Eduardo Padilla Silva has served as a Series A Director since 1997. He is Chief Executive Officer of FEMSA's Strategic Business Division. Mr. Padilla previously held the position of Director of Planning and Control of FEMSA. Prior to joining our company, he held a variety of positions at Grupo Alfa, including a ten-year tenure of as Chief Executive Officer of Terza, S.A. de C.V. Mr. Padilla holds a degree in Mechanical Engineering from ITESM and an MBA from Cornell University.

Armando Garza Sada has served as a Series A Director since 1998. He is General Director of Versax, S.A. de C.V. He serves on the boards of directors of Alfa, Bain & Company Mexico, Especialidades Cerveceras, S.A. de C.V., Gigante, Lamosa, Liverpool, MVS, Pyosa and Vitro Plano. Mr. Garza is also Co-Chairman of Alestra (a joint venture formed by AT&T, Grupo Financiero BBVA Bancomer, S.A. de C.V. and Alfa). Prior to his current responsibilities, he was President of Sigma, the food division of Alfa. He has also held other executive positions in Alfa including Vice President of Corporate Planning and President of Polioles (a petrochemical joint venture with BASF). Mr. Garza holds a degree in Management from the Massachusetts Institute of Technology and an MBA from the Stanford Graduate School of Business.

Daniel Servitje Montul has served as a Series A Director since 1998. He is Chief Executive Officer of Grupo Industrial Bimbo, S.A. de C.V. He also serves on the boards of directors of Banco Nacional de Mexico, Grocery Manufactures of America, and FICSAC (Universidad Iberoamericana). Mr. Servitje joined Grupo Industrial Bimbo in 1978, and has served as General Director of Marinela and Vice President of Grupo Bimbo, S.A. de C.V., in the past. Mr. Servitje holds a degree in Business from the Universidad Iberoamericana in Mexico and an MBA from Stanford University.

Herbert Allen III has served as a Series A Director since 2000. He is an investment banker at Allen & Company, Inc., in New York City. Mr. Allen joined Allen and Company in 1993, focusing on the investment business sector. Prior to 1993, he was employed at T. Rowe Price in Baltimore. From 1990 to 1992, he worked for Botts & Company, Ltd. in London. Mr. Allen holds a Bachelor of Arts degree in History from Yale University.

Jeffrey T. Dunn has served as a Series D Director since 2001. He is President and Chief Operating Officer of Coca-Cola Americas and Executive Vice President of The Coca-Cola Company. He is a member of the Board of Trustees of the Georgia Alliance for Children and the Atlanta Dogwood Festival. In the past, he has served as President of The Coca-Cola Company's North America Group. In 1981, Mr. Dunn joined The Coca-Cola Company's Wine Spectrum Division in Southern California; and after the sale of this division to Seagram, he rejoined The Coca-Cola Company. From 1985 to 1998, Mr. Dunn worked for Coca-Cola USA Fountain, holding a variety of positions. He was appointed Senior Vice President of Coca-Cola's North America Marketing division in January 2000. Mr. Dunn holds a Bachelor's Degree from the University of Georgia and an MBA from Pepperdine University.

James E. Chesnut has served as a Series D Director since 1993. He is Executive Vice President of Operations Support of The Coca-Cola Company. He is a member of the board of Coca-Cola Enterprises. In 1972, Mr. Chesnut joined The Coca-Cola Company as a financial analyst in London. In 1984, he was appointed Region Finance Manager in the Philippines, and in 1987 he was transferred to Atlanta as Manager of Treasury Services for the Pacific. In 1989, Mr. Chesnut became the Chief Financial Officer in Japan. In 1993, he was elected Vice President and Controller of The Coca-Cola Company. He was appointed Chief Financial Officer and Senior Vice President in 1994. Mr. Chesnut holds a degree in Accounting from the University of Glasgow.

Charles H. McTier has served as a Series D Director since 1998. He is President of the Robert W. Woodruff Foundation, Inc. He also currently serves as President of Joseph B. Whitehead Foundation, Inc., The Lettie Pate Evans Foundation, Inc., Lettie Pate Whitehead Foundation, Inc., Robert W. Woodruff Health Sciences Fund, Inc. and Ichauway Inc. Mr. McTier is also a member of the board of directors of the SunTrust Bank of Georgia and Vice President of the Commerce Club in Georgia. Mr. McTier holds a degree in Business Administration from Emory University.

Bárbara Garza Gonda has served as a Series D Director since 1999. She is President of Fundación Cultural Bancomer, A.C. Ms. Garza also serves on the board of directors of Grupo Financiero BBVA Bancomer, S.A. de C.V. She has broad experience in the financial sector through her work with Grupo Financiero BBVA Bancomer, S.A. de C.V., CITIBANK and Serfin. Ms. Garza holds a degree in Business Administration and an MBA.

Alexis E. Rovzar de la Torre has served as a Series L Director since 1993. He is an Executive Partner at White & Case S.C. Mr. Rovzar also serves on the boards of directors of FEMSA, Bank One (México), Grupo Industrial Bimbo, S.A. de C.V., and Grupo Comex, S.A. de C.V. He has participated in numerous international business transactions, including joint ventures, debt to capital swaps, and many other financial projects. Mr. Rovzar holds a degree in Law from UNAM.

José Manuel Canal Hernando has served as a Series A Examiner since 1993. He is Senior Managing Director at Ruíz, Urquiza & Co., S.C., a member of the Andersen Worldwide Organization, S.C. Mr. Canal has presided over the Committee of Surveillance of the Mexican Institute of Finance Executives and has participated in several commissions at the College of Public Accountants of Mexico, in the Honorary and Government Chapters. Mr. Canal has extensive experience in financial auditing for holding companies, banks and financial brokers. Mr. Canal holds a CPA degree from UNAM.

Fausto Sandoval Amaya has served as Series D Examiner since 1993. He has been a partner at Ernst & Young L.L.P. since 1978, currently serving as the Accounting Committee Director and as a member of the firm's board of directors. In addition, he serves on the boards of directors of Black & Decker, Bombardier, and Paccar (Mexican Kenworth). Mr. Sandoval holds a degree in Accounting from Escuela Superior de Administración y Finanzas IPN.

Ernesto Torres Arriaga has served as our Vice President since 1995. He joined Industria Embotelladora de México, S.A. de C.V. ("IEMSA"), one of our subsidiaries, in 1974 as a Director of Production for the State of Mexico. In 1982, he was appointed Production Manager of IEMSA. Mr. Torres began his career in 1958 and initially served at various bottling plants in Mexico, where he held several positions in the production, technical, and logistics areas, eventually becoming General Manager of Sales, Production and Administration. Mr. Torres holds a degree in Food Engineering from Kansas State University.

Héctor Treviño Gutiérrez has served as Chief Financial and Administrative Officer since 1993. He joined FEMSA in 1981 and was in charge of International Financing until 1984. From 1984 to 1986, he served as General Manager of Financial Planning and as General Manager of Strategic Planning from 1986 to 1989. From 1989 to 1993, Mr. Treviño headed FEMSA's Corporate Development department. Mr. Treviño holds a degree in Chemical and Administrative Engineering from ITESM and an MBA from the Wharton School of Business.

John Santa María Otazúa has served as our Director of Strategic Planning and Business Development since 2000. From 1995 to 2000, he also served as Chief Operating Officer of our Mexican operations. From 1991 to 1995, he worked with different bottling companies in Mexico, gaining expertise in areas such as Strategic Planning and General Management. Mr. Santa María holds a degree in Business Administration and an MBA with a major in Finance from Southern Methodist University.

Rafael Suárez Olaguibel has served as our Chief Operating Officer in Mexico since 2000. He joined FEMSA's soft drink division in 1986 as Planning and Projects Director. In March 1987, he was appointed Corporate Marketing Manager for the Valley of Mexico, and from 1987 to 1989, he served as Director of Marketing. In April 1989, he was appointed Distribution and Marketing Director of FEMSA's soft drink division, and later served as Chief Operating Officer of Coca-Cola FEMSA de Buenos Aires until late in 2000. Mr. Suárez began his career in 1981 at Coca-Cola Export, where he worked in the Administrative, Distribution and Marketing departments of Cola-Cola Export. Mr. Suárez holds a degree in Economics from ITESM.

Ernesto Silva Almaguer has served as our Chief Operating Officer in Buenos Aires since 2000. He joined FEMSA in 1980 as Strategic Services Manager. From 1985 to 1988, Mr. Silva assisted the General Director with Special Projects and Strategic Management. From 1988 to 1994, he worked for Fábricas de Monterrey in several manufacturing positions. He has also served as Vice President of International Sales of FEMSA Empaques and as

the New Business Development Director of Coca-Cola FEMSA from 1997 to 2000. Mr. Silva holds a degree in Mechanical and Administrative Engineering from ITESM and an MBA from the University of Texas at Austin.

Domingo Vaccarezza has served as our Technical Director since 1997. Mr. Vaccarezza joined The Coca-Cola Company in October 1990 as Engineering Director in Atlanta. From January 1992 to July 1994, he served as Technical Director for The Coca-Cola Company in Mexico. In August 1994, he was selected as Director of the Valley of Mexico Bottling Plant. Mr. Vaccarezza holds a degree in Mechanical Engineering from the Universidad Técnica Federico Santa María in Chile and an MBA from the Adolfo Ibañez Business School in Valparaiso, Chile.

Eulalio Cerda Delgadillo has served as Human Resources Director since 2000. He joined Cervecería Cuauhtémoc in September 1981 as a New Projects Executive. From 1982 to 1988, he served in the Marketing Department, and from 1988 to 1996, he worked in several departments including Maintenance, Packaging, Bottling, Human Resources, Technical Development and Projects. Mr. Cerda holds a degree in Mechanical Engineering from ITESM.

Compensation of Directors and Officers

For the year ended December 31, 2000, the aggregate compensation of all of our executive officers paid or accrued in that year for services in all capacities was approximately Ps.82.8 million, of which approximately Ps. 41.8 million was paid in the form of cash bonus awards. The aggregate compensation amount also includes bonuses paid to certain of our executive officers pursuant to our cash-settled option executive incentive program (as discussed below) and stock incentive plan (as discussed in "—Stock Options").

During 1998 and 1999, we paid Ps. 20,000 to each director for each meeting attended by such director. Beginning in 2000, we have paid Ps. 30,000 to each director for each meeting attended. The aggregate compensation for directors during 2000 was Ps. 1.9 million.

In 1997, we commenced an executive incentive program through which a one-time cash-settled option was granted to certain of our executive officers. Under the terms of our executive incentive program, such executive officers will be entitled on the fifth anniversary of the program to a cash payment of a special bonus based on such officer's salary and the amount of increase in real terms (*i.e*., excluding the effects of inflation) during the preceding five years in the market value of FEMSA BD Units and shares of our company in equal parts, provided that no payments will be made unless the market value of FEMSA BD Units and shares of our company has doubled in real terms by such fifth anniversary. The executive incentive program was originally based on the market value of Emprex Series B Shares and shares of our company, but was later adjusted to refer to the market value of FEMSA BD Units and shares of our company, as described above. The executive incentive program is administered by a trust, for the benefit of the participant executive officers, which has hedged its obligations to such executive officers by investing with Morgan Guaranty Trust Company of New York in cash-settled options relating to FEMSA BD Units. To the extent that the executive incentive program is based on shares of our company, we hedged the potential risk related to our shares by buying stock options, which we financed internally through the acquisition of a put option contract.

As of the date of this Annual Report, we have not made provisions to provide pension, retirement or similar benefits for our directors. Our senior management participates in our general pension plan, which is available to all non-union employees and officers of our company.

Stock Options

In 1998, we commenced a five-year stock incentive plan for the benefit of our executive officers. Under the terms of the stock incentive plan, certain executive officers may be selected to receive a special cash bonus which will be used to obtain a stock grant (as discussed below) or an option right (as discussed below), as determined for each individual case. The selection of the executive officers to participate in the stock incentive plan, the type of right which will be obtained with the special cash bonus, and the value of the special cash bonus will be determined jointly by the Human Resources Committee and our company, based on each executive officer's level of responsibility and corporate achievements during the prior year.

The stock grants and the option rights are administered by a trust for the benefit of the selected executive officers. Under the terms of the stock incentive plan, each time a special cash bonus is assigned by us or any of our subsidiaries to an executive officer, such executive officer shall contribute the bonus to the administrative trust in exchange for a stock grant or option right, as determined for each individual case.

A stock grant will entitle an executive officer to receive a specified proportion of FEMSA BD Units and shares of our company which will be acquired by the administrative trust in either the New York Stock Exchange or the Mexican Stock Exchange, with the executive officer's deposited special cash bonus. Under the terms of the stock incentive plan, the ownership of the FEMSA BD Units and the shares of our company will vest upon the executive officers on the 28th day of February over each of the next five years following the date of assignment of the stock grant, at a rate per year equivalent to the number of FEMSA BD Units and shares of our company that can be acquired with 20% of the total value of each executive officer's special cash bonus.

An option right is an option acquired by the administrative trust in either the New York Stock Exchange or the Mexican Stock Exchange with an executive officer's deposited special cash bonus, which shall entitle an executive officer to either: (a) acquire a certain number of FEMSA BD Units and shares of our company, at the exercise price specified in the option or (b) receive a cash payment equivalent to the amount of increase in the market value of such number of FEMSA BD Units and shares of our company, as compared to the exercise price specified in the option. Under the terms of the stock incentive plan, the option rights shall be exercisable on the 28th day of February and the 31st day of August over each of the next five years following the date on which they were granted, at a yearly rate equivalent to up to 20% of the total number of FEMSA BD Units and shares of our company covered by each option right. If an option right is not exercised in full during a certain year, any remaining unexercised part shall be exercisable over the next year, at the specified dates. If at the time of expiration of an option right there are any remaining FEMSA BD Units and shares of our company over which no option has been exercised, the remaining part of the option will be automatically exercised as specified in (b) above and a cash payment will be made to the executive officer.

To this date no option rights have been granted by either us or our subsidiaries pursuant to the stock incentive plan. However, as specified above, if any future option rights are to be granted, they will be acquired in the market.

Share Ownership

As of May 15, 2001, certain of our directors and alternate directors serve on the Technical Committee as Trust Participants under the Irrevocable Trust No. F/29487-6 established at BBVA Bancomer, S.A., as Trustee, which is the owner of 54.3% of the voting stock of FEMSA, which in turn owns 51% of our outstanding capital stock through its subsidiary, Emprex. These directors and alternate directors include Eugenio Garza Lagüera, José Antonio Fernández Carbajal, Juan Carlos Braniff Hierro, Alfonso Garza Garza, Mariana Garza de Treviño and Bárbara Garza Gonda de Braniff. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders." None of our other directors, alternate directors or executive officers is the beneficial owner of more than 1% of any class of our capital stock.

Employees

As of December 31, 2000, we employed 15,054 employees, including 12,821 employees in Mexico and 2,233 employees in Argentina.

The table below sets forth the number of our employees by category of employment for the periods indicated.

	For the Year ended December 31,		
	2000[1]	**1999**	**1998**
Executives	143	138	142
Non-Union Employees	5,771	5,827	5,574
Union Employees	9,140	9,308	9,208
Total	15,054	15,273	14,924

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(1) As of December 31, 2000, we also employed 607 temporary workers.

As of December 31, 2000, approximately 61% of our employees, most of whom were employed in Mexico, were members of labor unions. We had 39 separate collective bargaining agreements with six labor unions represented at our Mexican operations and one collective bargaining agreement with one labor union in Buenos Aires. In Mexico, wages are renegotiated every year while other terms and conditions of employment are renegotiated every two years. In Buenos Aires, the collective bargaining agreement is negotiated between the *Cámara Argentina de la Industria de Bebidas sin Alcohol* (the Argentine Chamber of the Non-Alcoholic Beverages Industry) on behalf of the beverage producers, and the *Federación Argentina de Trabajadores de Aguas Gaseosas* (the Argentine Federation of Soft Drink Workers), on behalf of the soft drink industry workers. The Argentine government is not involved in these negotiations.

We consider our current relations with our workforce to be good.

Item 7. Major Shareholders and Related Party Transactions

MAJOR SHAREHOLDERS

Our principal shareholders are Emprex, a direct subsidiary of FEMSA, a publicly traded company listed on the Mexican Stock Exchange and on The New York Stock Exchange, and Inmex, a wholly owned subsidiary of The Coca-Cola Export Corporation and an indirect subsidiary of The Coca-Cola Company. See "Item 4. Information on the Company—The Company—Corporate Background."

Our share capital consists of three classes of securities: Series A Shares held by Emprex, Series D Shares held by Inmex, and Series L Shares, held by the public. On January 28, 1998, we effected a three-for-one stock split. Our capital structure at December 31, 2000 was as follows:

Shareholder	Outstanding Capital Stock	% Ownership of Outstanding Capital Stock	% of Voting Rights
Emprex (Series A Shares)[1]	726,750,000	51	63
Inmex (Series D Shares)	427,500,000	30	37
Public (Series L Shares)[2]	270,750,000	19	*
Total	1,425,000,000	100	100

(1) FEMSA owns 99.98% of the capital stock of Emprex, and 54.3% of the voting stock of FEMSA is controlled by the Technical Committee and Trust Participants under Irrevocable Trust No. F/29487-6 established at BBVA Bancomer, S.A., as Trustee. As of May 15, 2001, the Trust Participants included: Max Michel Suberville, Eugenio Garza Lagüera, Paulina Garza Gonda de Marroquín, Bárbara Garza Gonda de Braniff, Mariana Garza Gonda de Treviño Bryan, Eva Gonda de Garza, José Antonio Fernández Carbajal, Eva Garza Gonda de Fernández, Juan Carlos Braniff Hierro, Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Patricio Garza Garza, Juan Carlos Garza Garza, Eduardo Garza Garza, Eugenio Garza Garza, Alberto Baillères, María Teresa G. de Baillères, Inversiones Bursátiles Industriales, S.A. de C.V., Corbal, S.A. de C.V., Magdalena M. de David, Alepage, S.A., Grupo Financiero BBVA Bancomer, S.A., as Trustee under Trust No. F/29013-0, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, Inversiones Franca, S.A. de C.V., and BBVA Bancomer, S.A., as Trustee under Trust No. F/29490-0.

(2) Holders of Series L Shares are only entitled to vote in limited circumstances. See "Item 10. Additional Information—Limitations Affecting Non-Mexican Securityholders." Holders of American Depositary Receipts ("ADRs") are entitled to instruct The Bank of New York, the depositary for the ADSs represented by the ADRs, as to the exercise of the limited voting rights pertaining to the Series L Shares represented by their ADSs.

In addition, 270,750,000 Series B Shares and 204,000,000 Series L Shares have been authorized and issued, but have not been subscribed and are currently held in treasury.

Emprex, as the sole owner of our Series A Shares, has the power to elect eleven of the sixteen directors, and Inmex, as the sole owner of our Series D Shares, has the power to elect four directors. Accordingly, Emprex and Inmex have the power to determine the outcome of all actions requiring approval by our board of directors and, except in certain limited situations, all actions requiring approval of the shareholders. See "—The Shareholders Agreement."

As Technical Committee members, Trust Participants under Irrevocable Trust No. F/29487-6 established at BBVA Bancomer, S.A., as Trustee, may be deemed to be the beneficial owners of 51% of our outstanding capital stock, because the trust owns 54.3% of the voting stock of FEMSA, which in turn owns 51% of our company through its subsidiary, Emprex. As a consequence of the internal procedures of the trust's Technical Committee, the Technical Committee, as a whole, is deemed to have the beneficial ownership with sole voting power of all the shares deposited in the Voting Trust and the Trust Participants, as Technical Committee members, are deemed to have beneficial ownership with shared voting power over those same deposited shares. We are not aware of any other beneficial owner of more than 5% of any class of our shares. See "Item 6. Directors, Senior Management and Employees—Share Ownership."

As of May 31, 2001, there were 26,120,072 of our ADSs outstanding, each ADS representing ten Series L Shares. Approximately 96% of our outstanding Series L Shares were represented by ADSs. As of May 31, 2001, the ADSs were held by approximately 337 holders, (including The Depositary Trust Company) with registered addresses in the United States.

The Shareholders Agreement

In connection with the subscription by Inmex (an indirect subsidiary of The Coca-Cola Company) of 30% of our capital stock, FEMSA and The Coca-Cola Company agreed that we would be managed as a joint venture. Accordingly, in June 1993, Emprex (a direct subsidiary of FEMSA), which is the direct holder of the Series A Shares, Inmex and The Coca-Cola Company entered into the shareholders agreement, which, together with our bylaws, sets forth the basic rules under which we operate.

In the shareholders agreement, Emprex and Inmex (each a principal shareholder) confirm their agreement to the corporate governance provisions set forth in our bylaws relating to the composition of our board of directors and executive officers as well as to the election of the members of our board and officers. See "Item 6. Directors, Senior Management and Employees." In addition, the shareholders agreement embodies the principal shareholders' agreement that we be managed in accordance with one-year and five-year business plans, although in practice, we are now managed according to a three-year plan.

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

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

In the event that (i) one of the principal shareholders buys the other's interest in our company in any of these circumstances or (ii) Inmex's or Emprex's ownership of our shares of capital stock other than the Series L Shares is reduced below 20% of all such shares and upon the request of the principal shareholder whose interest is not so reduced, the shareholders agreement requires that our bylaws be amended to eliminate all share transfer restrictions and all super-majority voting and quorum requirements, after which the shareholders agreement would terminate. In the event that Inmex's or Emprex's ownership of our shares of capital stock other than the Series L Shares is reduced below 25% (but not below 20%) of all such shares and upon the request of the principal shareholder whose interest is not so reduced, the shareholders agreement requires that our bylaws be amended to eliminate all super-majority voting and quorum requirements, other than those relating to the share transfer restrictions. After the elimination of super-majority voting and quorum restrictions upon a reduction of Inmex's ownership, Emprex acting alone could have the power to determine most actions requiring shareholder or board approval by virtue of its ownership of Series A Shares.

The shareholders agreement also contains provisions relating to the principal shareholders' understanding as to our growth. It states that it is The Coca-Cola Company's intention that we will be viewed as one of a small number of its "anchor" bottlers in Latin America. In particular, the parties agree that it is desirable that we expand by acquiring additional bottler territories in Mexico and other Latin American countries in the event any become available through horizontal growth. In addition, The Coca-Cola Company has agreed, subject to a number of conditions, that if it obtains ownership of a bottler territory that fits with our operations, it will give us the option to

acquire such territory. The Coca-Cola Company has also agreed to support prudent and sound modifications to our capital structure to support horizontal growth. The Coca-Cola Company's agreement as to horizontal growth would cease to be in effect upon (i) the elimination of certain super-majority voting requirements in the event that Inmex's or Emprex's ownership of our shares of capital stock other than the Series L Shares is reduced below 25% of all such shares as described above or (ii) The Coca-Cola Company's election to terminate the agreement following a specified default as described above.

RELATED PARTY TRANSACTIONS

We regularly engage in transactions with FEMSA, The Coca-Cola Company, and their affiliates. In 2000, we purchased crown caps, plastic bottle caps, commercial refrigerators, lubricants, detergents, plastic cases, and substantially all of our returnable glass bottle requirements for our Mexican operations from FEMSA Empaques, an indirect, wholly-owned subsidiary of FEMSA, under several supply agreements. We also purchase some refrigerators from a subsidiary of FEMSA Empaques for the Buenos Aires Territory. The aggregate amount of these purchases was Ps. 562.1 million in 2000. In addition, some canned beverages in the Mexican Territories are purchased from IEQSA, which in turn purchases a portion of empty cans from Famosa, a subsidiary of FEMSA Empaques. In 2000, Coca-Cola FEMSA de Buenos Aires purchased all of its can presentations from CICAN, a joint venture between Coca-Cola FEMSA de Buenos Aires and the Coca-Cola bottlers in Argentina, Uruguay and Paraguay. In addition, Coca-Cola FEMSA de Buenos Aires also purchased a portion of its plastic ingot requirements for producing plastic bottles and all of our returnable bottle requirements from CIPET. CIPET is a local subsidiary of Embotelladora Andina, S.A., a Coca-Cola bottler with operations in Argentina, in which The Coca-Cola Company has a substantial interest. We believe that our purchasing practices result in prices comparable to those that would be obtained in arm's length negotiations with unaffiliated parties.

We entered into a service agreement in June 1993 with FEMSA Servicios, S.A. de C.V., an indirect subsidiary of FEMSA, pursuant to which FEMSA Servicios provides certain administrative services relating to insurance, legal and tax advice for a period of at least one year, cancelable thereafter by either party, and certain limited administrative and auditing services for as long as FEMSA maintains an interest in our company. In each case, these agreements were made on terms that we believe to be commercially reasonable.

In November 2000, we entered into a service agreement with FEMSA Logística, an indirect subsidiary of FEMSA, pursuant to which FEMSA Logística transports finished products from our production facilities to our distribution centers within Mexico. From November 1997 until November 2000, FEMSA Logística, and previously another FEMSA subsidiary, provided similar services pursuant to an informal arrangement with our company. In 2000, we paid approximately Ps. 227.9 million pursuant to this agreement.

We are insured in Mexico primarily under FEMSA's umbrella insurance policies with Seguros Monterrey New York Life S.A., which was one of our affiliates until January 14, 2000. The policies were purchased pursuant to a competitive bidding process. This coverage includes all risk, general liability and theft, as well as life insurance and health insurance for certain eligible employees. In addition, we are covered against third-party liabilities arising from vehicular accidents. We believe that this arrangement provides us with adequate coverage at commercially reasonable rates. Fidelity bonds are purchased from Fianzas Monterrey New York Life S.A., which was one of our affiliates until January 14, 2000, and financial services are obtained from Grupo Financiero BBVA Bancomer, S.A. de C.V. and its subsidiaries, one of our affiliates, in each case on an arm's length basis.

Our company and The Coca-Cola Company pay and reimburse each other for marketing expenditures under a cooperative marketing arrangement. In addition, The Coca-Cola Company has made payments to us in connection with cold-drink equipment investment and other volume driving investment programs. We purchase all of our concentrate requirements for Coca-Cola trademark beverages from The Coca-Cola Company.

We obtained financial services and engaged in transactions for the purchase of fidelity bonds and insurance coverage from subsidiaries of Grupo Financiero BBVA Bancomer, S.A. de C.V., a financial services holding company of which, as of December 31, 2000, two of our directors, Ricardo Guajardo Touché and Juan Carlos Braniff Hierro, were the chairman and vice-chairman of the board of directors, respectively.

Item 8. Financial Information

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated Statements

See “Item 18. Financial Statements” and pages F-1 through F-31.

Dividend Policy

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

Legal Proceedings

In May 2000, the *Comisión Federal de Competencia* (the Mexican Federal Antitrust Commission or “Commission”) requested that we provide them with information relating to their investigation of the sales practices of The Coca-Cola Company and the bottlers of Coca-Cola trademark beverages in Mexico, including our company. This investigation focuses on monopolistic practices within the soft drink industry in Mexico. On November 3, 2000, the Commission notified us of its preliminary findings that the bottlers of Coca-Cola trademark beverages engaged in monopolistic practices with respect to exclusivity arrangements with retailers. We believe that such contracts with retailers are immaterial as a percentage of our total sales. We are among the parties challenging these findings in a formal procedure before the Commission. Although we do not believe that the outcome of the investigation will have a material adverse effect on our financial condition, we cannot give any assurances that such legal actions will not negatively affect us in the future.

Item 9. The Offer and Listing

TRADING MARKETS

ADRs representing the ADSs have been issued by the Bank of New York, the depositary for our ADSs. Our ADSs have been traded on the New York Stock Exchange, and our Series L Shares on the Mexican Stock Exchange, since 1993. Each ADS represents ten Series L Shares. On December 31, 2000, approximately 96% of the publicly traded Series L Shares were held in the form of ADSs.

The following table sets forth, for the periods indicated, the reported high and low sales prices for the Series L Shares on the Mexican Stock Exchange and the reported high and low sales prices for the ADSs on the New York Stock Exchange. Prices have not been restated in constant currency units.

	Mexican Stock Exchange Pesos per L Share		**New York Stock Exchange Dollars per L Share**	
	High	Low	High	Low
1996:				
Full year	Ps. 7.87	Ps. 5.27	$ 10.75	$ 6.79
1997:				
Full year	Ps. 15.83	Ps. 7.47	$ 19.52	$ 9.38
1998:				
Full year	Ps. 17.72	Ps. 10.98	$ 20.69	$ 10.81
1999:				
First quarter	Ps. 16.90	Ps. 11.98	$ 17.25	$ 11.13
Second quarter	20.30	15.00	21.81	15.75
Third quarter	18.90	13.00	19.63	13.81
Fourth quarter	17.00	12.32	18.06	12.69
2000:				
First quarter	Ps. 19.00	Ps. 15.00	$ 20.56	$ 15.25
Second quarter	18.80	13.78	19.31	14.38
Third quarter	19.30	17.18	20.69	18.00
Fourth quarter	21.15	17.50	22.38	18.50
December	21.15	17.96	22.38	19.06
2001:				
January	Ps. 23.15	Ps. 19.62	$ 25.31	$ 20.00
February	21.22	19.57	21.75	20.38
March	20.52	16.91	21.45	18.00
April	18.50	16.80	19.50	17.85
May	20.61	17.85	23.00	19.25

Since November 1, 1996, our 8.95% Notes due November 1, 2006 have been listed on the New York Stock Exchange. The following table sets forth, for the periods indicated, the reported high and low sales prices for the notes on the New York Stock Exchange.

	New York Stock Exchange Percentage of Principal Amount	
	High	**Low**
1996:		
November through December	103.11	99.32
1997:		
Full year	106.63	94.33
1998:		
Full year	106.00	82.00
1999:		
First quarter	102.81	90.16
Second quarter	101.53	93.54
Third quarter	101.05	90.53
Fourth quarter	101.90	97.86
2000:		
First quarter	104.97	99.24
Second quarter	106.33	101.29
Third quarter	104.14	101.15
Fourth quarter	105.22	102.79
December	105.22	103.31
2001:		
January	105.77	104.28
February	105.46	104.59
March	106.21	105.07
April	106.14	104.42
May	106.27	103.77

It is not practical for us to determine the portion of the notes beneficially owned by U.S. persons.

TRADING ON THE MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A. de C.V.*), located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation whose shares are held by 30 brokerage firms, which are exclusively authorized to trade on the Exchange. Trading on the Mexican Stock Exchange takes place principally on the Exchange through automated systems, which is open between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. Trades in securities listed on the Mexican Stock Exchange can also be effected off the Exchange. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the Series L Shares that are directly or indirectly (for example, through ADSs) quoted on a stock exchange (including for these purposes NASDAQ) outside Mexico.

Settlement is effected two business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the Mexican National Securities Commission (CNBV). Most securities traded on the Mexican Stock Exchange, including our shares, are on deposit with *Instituci?n para el Dep?sito de Valores, S.A. de C.V.* (Indeval), a privately owned securities depositary that acts as a clearinghouse for Mexican Stock Exchange transactions.

Item 10. Additional Information

BYLAWS

Set forth below is a brief summary of certain significant provisions of our bylaws, as amended, and Mexican law. This description does not purport to be complete and is qualified by reference to our bylaws and Mexican law. For a description of the provisions of our bylaws relating to our board of directors, executive officers, and examiners, see "Item 6. Directors, Senior Management and Employees."

Organization and Register

We were incorporated on October 31, 1991, as a Mexican corporation (*sociedad an?nima de capital variable*) in accordance with Chapter V of the Mexican Companies Law. We are registered in the Public Registry of Commerce of Mexico City on August 23, 1993 under the number 176543.

Purposes

The purposes of our company may be found in Chapter 1, Article 2 of our bylaws and include the following general items: a) to establish, promote and organize commercial or civil companies of any type, as well as to acquire and possess shares or participations in them; b) to carry out all types of active and passive transactions involving bonds, shares, participations and securities of any type; c) to provide or receive advisory, consulting or other types of services in business matters; d) to conduct business with equipment, raw materials and any other items necessary to the companies in which we have an interest or with which we have commercial relations; e) to acquire and dispose of trademarks, commercial names, copyrights, patents, inventions, franchises, distributions, concessions and processes; f) to possess and operate real and personal property necessary for our purposes; to subscribe, buy and sell stocks, bonds and securities among other things; g) to draw, accept, make, endorse or guarantee negotiable instruments, issue bonds secured with real property or unsecured, and to make us jointly liable, to grant security of any type with regard to obligations entered into by us or by third parties, and in general, to perform such acts, enter into such contracts and carry out such other transactions as may be necessary or conducive to our business purpose.

Voting Rights

Series A Shares and Series D Shares have full voting rights but are subject to transfer restrictions. Series B Shares, if subscribed, will have full voting rights and will be freely transferable. Series L Shares are freely transferable but have limited voting rights. Series L Shares are not exchangeable for Series A Shares or Series D Shares or vice versa. Except for restrictions on transfer of the Series A and Series D Shares, such limitations on the voting rights of Series L Shares, the respective rights of the Series A, Series D and Series L (but not Series B) Shares, voting as separate classes, to elect specified numbers of our directors and alternate directors and prohibitions on non-Mexican ownership of Series A Shares, the rights of holders of all series of capital stock are substantially identical. See "Item 6. Directors, Senior Management, and Employees", "—Foreign Investment Legislation" and "—Transfer Restrictions".

Under our bylaws, holders of Series L Shares are entitled to vote only in limited circumstances. They may elect one of our sixteen directors and, in certain circumstances where holders of Series L Shares have not voted for the director elected by holders of the majority of such series of shares, they may be entitled to elect one or more additional directors. See "Item 6. Directors, Senior Management, and Employees." In addition, (i) transformation of our company from one type of company to another (other than changing from a variable capital to fixed capital corporation and vice versa), (ii) any merger in which we are not the surviving entity or any merger with an entity whose principal corporate purposes are different from those of our company or our subsidiaries and (iii) cancellation of the registration of our shares with the National Register of Securities and Brokers of Mexico or with other foreign stock exchanges on which our shares may be listed, require a quorum of 82% of our capital stock and the vote of at least a majority of our capital stock voting (and not abstaining). The affirmative vote of 95% of our capital stock would be required to amend the provisions of our bylaws that require our controlling shareholders, in the event of cancellation of the registration of any of our shares on such National Register and upon our request or the resolution of the National Security Commission of Mexico, to make a public offer to acquire such shares. Except as described

above and in the following paragraph, the holders of Series L Shares have no voting rights. Holders of Series L Shares are not entitled to attend or to address meetings of shareholders at which they are not entitled to vote.

Under Mexican law, holders of shares of any series are also entitled to vote as a class in a special meeting governed by the same rules of the extraordinary meetings on any action that would prejudice the rights of holders of shares of such series but not rights of holders of shares of other series, and a holder of shares of such series would be entitled to judicial relief against any such action taken without such a vote. The determination whether an action requires a class vote on these grounds would initially be made by the board of directors or the examiners. A negative determination would be subject to judicial challenge by an affected shareholder, and the necessity for a class vote would ultimately be determined by a court. There are no other procedures for determining whether a particular proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination.

Shareholders' Meetings

General shareholders' meetings may be ordinary meetings or extraordinary meetings. Extraordinary general meetings are those called to consider certain matters specified in Article 182 of the Mexican Companies Law. In addition, our bylaws require an extraordinary general meeting to consider the cancellation of the registration of our shares with the National Register of Securities and Brokers of Mexico or with other foreign stock exchanges on which our shares may be listed. General meetings called to consider all other matters are ordinary meetings which are held at least once each year. All other matters on which holders of Series L Shares are entitled to vote at a general shareholders meeting would be considered at an extraordinary general meeting.

An ordinary general meeting of the holders of Series A, Series D and Series B Shares must be held at least once each year to consider the approval of the financial statements of our and certain of our subsidiaries for the preceding fiscal year, to elect examiners, to adopt the designation of directors determined by the holders of the Series A, Series D and Series L Shares at their respective special meetings and to determine the allocation of the profits of the preceding year.

The quorum for special meetings of any series of shares is a majority of the holders of such shares, and action may be taken by holders of a majority of the shares. The quorum for ordinary and extraordinary general meetings at which holders of Series L Shares are not entitled to vote is 76% of the holders of our Series A, Series D and Series B Shares, and the quorum for an extraordinary general meeting at which holders of Series L Shares are entitled to vote is as set forth above.

Shareholders' meetings may be called by the board of directors, the examiners or a court. Holders of 10% or more of our capital stock may require the board of directors or the examiners to call a shareholders meeting at which the holders of Series L Shares would be entitled to vote, and holders of 10% or more of the Series A, Series B and Series D Shares may require the board of directors or the examiners to call a meeting at which the holders of Series L Shares would not be entitled to vote. Notice of meetings must be published in the *Diario Oficial de la Federación* or a newspaper of general circulation in Mexico City at least 15 days prior to the meeting. In order to attend a meeting, shareholders must deposit their shares and receive a certificate from our Corporate Secretary (or, in the case of Series A or Series D Shares, from our transfer agent) authorizing participation in such meeting at least 48 hours in advance of the time set thereof or, in the case of Series B or Series L Shares held in book-entry form through Indeval, submit certificates evidencing a deposit of the shares with Indeval. If so entitled to attend the meeting, a shareholder may be represented by proxy. Our directors and examiners may not act as proxies.

Dividend Rights

At the annual ordinary general meeting of holders of Series A, Series D and Series B Shares, the board of directors submits our financial statements for the previous fiscal year, together with a report thereon by the board. The holders of Series A, Series D and Series B Shares, once they have approved the financial statements, determine the allocation of our net profits for the preceding year. They are required by law to allocate at least 5% of such net profits to a legal reserve, which is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals 20% of our historical capital stock (before the effect of restatement). The legal reserve on June 30, 1993 is NPs. 500,000. Thereafter, the shareholders may determine and allocate a certain

percentage of net profits to any special reserve, including a reserve for open-market purchases of our shares. The remainder of net profits is available for distribution. All shares outstanding and fully paid (including Series L Shares) at the time a dividend or other distribution is declared are entitled to share equally in such dividend or other distribution. Shares which are only partially paid participate in a dividend or other distributions in the same proportion that such shares have been paid at the time of the dividend or other distributions. Treasury shares are not entitled to dividends or other distributions.

Liquidation

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

Pre-emptive Rights

In the event of a capital increase, a holder of existing shares (including Series L Shares) has a preferential right to subscribe for a sufficient number of shares of the same series to maintain the holder's existing proportionate holdings of shares. Pre-emptive rights must be exercised within a term of not less than 15 days following the publication of notice of the capital increase in the *Diario Oficial de la Federación* and in one of the newspapers of general circulation in our corporate domicile. Under Mexican law, pre-emptive rights cannot be waived in advance of the issuance thereof and cannot be represented by an instrument that is negotiable separately from the corresponding share. As a result, there is no trading market for the rights in connection with a capital increase. Holders of ADSs that are U.S. persons or located in the United States may be restricted in their ability to participate in the exercise of such pre-emptive rights. See "Risk Factors—Risks Related to Our Controlling Shareholders and Capital Structure" for a description of the circumstances under which holders of ADSs may not be entitled to exercise such rights. Preemptive rights with respect to the Series B and Series L Shares which are held in treasury have been waived.

Foreign Investment Legislation

Ownership by non-Mexicans of shares of Mexican enterprises is regulated by the 1993 *Ley para Promover la Inversi?n Mexicana y Regular la Inversi?n Extranjera* (the Foreign Investment Law) and the 1998 Regulations thereunder (the Foreign Investment Regulations). The National Commission on Foreign Investment (the Foreign Investment Commission) is responsible for administration of the Foreign Investment Law and its Regulations. In order to comply with restrictions on the percentage of their capital stock that may be owned by non-Mexican investors, Mexican companies typically limit particular classes of their stock to Mexican ownership. Under the Foreign Investment Law, a trust for the benefit of one or more non-Mexican investors may qualify as Mexican if the trust meets certain conditions that will generally ensure that the non-Mexican investors do not determine how the shares are voted.

The Foreign Investment Law reserves certain economic activities exclusively for the Mexican state and reserves certain other activities exclusively for Mexican individuals or Mexican corporations, the charters of which contain a prohibition on ownership by non-Mexicans of the corporation's capital stock. Although the Foreign Investment Law grants broad authority to the Foreign Investment Commission to allow foreign investors to own more than 49% of the capital of Mexican enterprises after taking into consideration public policy and economic concerns, our bylaws provide that Series A Shares shall at all times constitute no less than 51% of our voting shares and may only be held by Mexican investors.

Transfer Restrictions

Our bylaws provide that no holder of Series A or Series D Shares may sell its Series A or D Shares unless it has disclosed the terms of the proposed sale and the name of the proposed buyer and has previously offered to sell such shares to the holders of the other such series for the same price and terms as it intended to sell the shares to a third party. If the shareholders being offered shares do not choose to purchase such shares within 90 days of the

offer, the selling shareholder is free to sell the shares to such third party at the price and under the terms specified in such offer within a specified time. In addition, our bylaws impose certain procedures in connection with the pledge of any Series A or Series D Shares to any financial institution which are designed, among other things, to ensure that such pledged shares will be offered to the holders of the other such Series at market value prior to any foreclosure with respect thereto. Finally, a proposed transfer of Series A or Series D Shares other than a proposed sale or such a pledge, or a change of control of a holder of Series A or Series D Shares that is a subsidiary of a principal shareholder, would trigger rights of first refusal to purchase the subject shares at market value. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."

Other Provisions

Redemption

Our fully paid shares are subject to redemption in connection with either (i) a reduction of share capital or (ii) a redemption with retained earnings, which, in either case, must be approved by our shareholders at an extraordinary shareholders' meeting. The shares subject to any such redemption would be selected by us by lot or in the case of redemption with retained earnings, by purchasing shares by means of a tender offer conducted on the Mexican Stock Exchange, in accordance with the Mexican Companies Law.

Capital Variations

Any change in our authorized capital stock requires a resolution of an extraordinary general meeting of shareholders. We are permitted to issue shares constituting fixed capital and shares constituting variable capital. At present, all of the issued shares of our capital stock, including those Series B and Series L Shares that remain in our treasury, constitute fixed capital. See "— Voting Rights." The fixed portion of our capital stock may only be increased or decreased by amendment of our bylaws upon resolution of an extraordinary general meeting of the shareholders. The variable portion of our capital stock may be increased or decreased by resolution of an ordinary general meeting of the shareholders without amending the by-law. Under Mexican law and our bylaws, the outstanding variable portion of our stock may be redeemed at the holder's option at any time at a redemption price equal to the lower of: (i) 95% of the average market value of such shares on the Mexican Stock Exchange for 30 trading days on which the shares were quoted preceding the date on which the exercise of the option is effective and (ii) the book value of such shares at the end of the fiscal year in which the exercise of the option is effective. If the option is exercised during the first three quarters of a fiscal year, it is effective at the end of that fiscal year; but if it is exercised during the fourth quarter, it is effective at the end of the next succeeding fiscal year. The redemption price would be payable following the annual ordinary general meeting of holders of Series A, Series D and Series B Shares at which the relevant annual financial statements were approved.

Fixed capital cannot be redeemed. Requests for redemption are satisfied only to the extent of available variable capital and in the order in which the requests are received. Requests that are received simultaneously are satisfied pro rata to the extent of available capital.

Forfeiture of Shares

As required by Mexican law, our bylaws provide that our non-Mexican shareholders formally agree with the Ministry of Foreign Affairs (i) to be considered as Mexicans with respect to the shares that they acquire or hold as well as to the property, rights, concessions, participations or interests owned by us or to the rights and obligations derived from any agreements we have with the Mexican government and (ii) not to invoke the protection of their own governments in matters relating to their shareholdings. Failure to comply is subject to a penalty of forfeiture of such shareholder's capital interests in favor of Mexico. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder. In the opinion of Lic. Carlos Aldrete Ancira, our Mexican counsel, under this provision a non-Mexican shareholder is not deemed to have waived any other rights it may have, including any rights under the United States securities laws, with respect to its investment in our company. If the shareholder should invoke such governmental protection in violation of this agreement, its shares could be forfeited to the Mexican government. Mexican law requires that

such a provision be included in the bylaws of all Mexican corporations unless such bylaws prohibit ownership of shares by non-Mexican persons.

Duration

Our existence under the bylaws continues until 2090.

Purchase of Our Own Shares

According to our bylaws, we generally may not repurchase our shares, subject to certain exceptions. First, we may repurchase fully paid shares for cancellation with distributable earnings pursuant to a decision of an extraordinary general meeting of shareholders. Second, pursuant to judicial adjudication, we may acquire the shares of a shareholder in satisfaction of a debt owed to us by such shareholder; we must sell any shares so acquired within three months, otherwise our capital stock will be reduced and such shares cancelled. Third, in accordance with our bylaws, we would also be permitted to repurchase our own shares on the Mexican Stock Exchange under certain circumstances, with funds from a special reserve created for such purpose. We may hold shares we repurchase as treasury shares, which would be treated as authorized and issued but not outstanding unless and until subsequently subscribed for and sold.

Conflict of Interest

A shareholder that votes on a business transaction in which its interest conflicts with that of our company may be liable for damages, but only if the transaction would not have been approved without such shareholder's vote.

Actions against Directors

Action for civil liabilities against directors may be initiated by resolution passed at a general ordinary shareholders' meeting. In the event the shareholders decide to bring such action, the directors against whom such action is to be brought immediately cease to be directors. Additionally, shareholders (including holders of Series L Shares) representing, in the aggregate, not less than 15% of the outstanding shares may directly bring such action against directors, provided that (i) such shareholders did not concur in the decision at the general shareholders' meeting not to take action against the directors, and (ii) the claim covers all the damages alleged to have been caused to us and not only the portion corresponding to such shareholders. Any recovery of damages with respect to such action will be for our benefit and not for the shareholders bringing action.

Appraisal Rights

Whenever the shareholders approve a change of corporate purposes, change of nationality of the corporation or transformation from one form of company to another, any shareholder entitled to vote on such change that has voted against it may withdraw from our company and receive the amount calculated as specified in Mexican law attributable to its shares, provided that it exercises its right within 15 days following the adjournment of the meeting at which the change was approved. Because holders of Series L Shares are not entitled to vote on certain of such changes, such withdrawal rights are available to holders of Series L Shares in fewer cases than to holders of other series of our capital stock.

Rights of Shareholders

The protections afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The substantive law concerning fiduciary duties of directors has not been the subject of extensive judicial interpretation in Mexico, unlike many states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders. Mexican civil procedure does not contemplate class actions or shareholder derivative actions, which permit shareholders in U.S. courts to bring actions on behalf of other shareholders or to enforce rights of the corporation itself. Shareholders

cannot challenge corporate action taken at a shareholders' meeting unless they meet certain procedural requirements, as described above under "—Shareholders' Meetings."

As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company.

In addition, under the U.S. securities laws, as a foreign private issuer, we are exempt from certain rules that apply to domestic U.S. issuers with equity securities registered under the U.S. Securities Exchange Act of 1934, including the proxy solicitation rules, the rules requiring disclosure of share ownership by directors, officers and certain shareholders. We are also exempt from certain of the corporate governance requirements of the New York Stock Exchange, Inc., including the requirements concerning audit committees and independent directors.

Enforceability of Civil Liabilities

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 such persons. It may also be difficult to enforce against them, either inside or outside the United States, judgments obtained against them in U.S. courts, or to enforce in U.S. courts judgments obtained against them in courts in jurisdictions outside the United States, in any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such 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.

MATERIAL CONTRACTS

We manufacture, package, distribute, and sell soft drink beverages and bottled water in territories in Mexico and Argentina under bottler agreements with The Coca-Cola Company. For a discussion of the terms of these contracts, see "Item 4. Information on the Company—Bottler Agreements." In addition, pursuant to a tradename licensing agreement with The Coca-Cola Company, we are authorized to use certain trademark names of The Coca-Cola Company. See "Item 4. Information on the Company—Bottler Agreements."

We are managed as a joint venture between Emprex, a subsidiary of FEMSA, and Inmex, a subsidiary of The Coca-Cola Company, pursuant to the shareholders agreement. For a discussion of the terms of this agreement, see "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."

Pursuant to several supply agreements, we purchase crown caps, plastic bottle caps, commercial refrigerators, lubricants, detergents, plastic cases, and substantially all of our returnable glass bottle requirements for our Mexican operations from FEMSA Empaques, a FEMSA subsidiary. Pursuant to a service agreement between our company and FEMSA Logística, a FEMSA subsidiary, FEMSA Logística transports finished products from our production facilities to our distribution centers in Mexico. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions" for a discussion of these and other transactions with our affiliates.

EXCHANGE CONTROLS

The Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos to U.S. dollars, no assurance can be given that the Mexican government will not institute a restrictive exchange control policy in the future. Any such restrictive exchange control policy could adversely affect the depositary's ability to convert dividends received in pesos into U.S. dollars for purposes of making distributions to holders of our ADSs and payments of our obligations under our notes, and could also have a material adverse effect on our business and financial condition.

As a result of inflationary pressures, the Argentine currency has been devalued numerous times during the three decades prior to 1991. During that period, the Argentine economic authorities utilized a variety of foreign currency exchange systems, including sudden devaluation, mini-devaluation, floating rates, dual markets, multi-tier markets, and public auctions. Although over long periods the devaluation of the currency has generally correlated with the rates of inflation, such governmental actions have resulted in significant fluctuations in the real currency exchange rate between the Argentine currency and the U.S. dollar over shorter periods. Since April 1, 1991, the Argentine currency has been freely convertible into U.S. dollars under a convertibility plan whereby the Argentine government is obligated by law to sell U.S. dollars at a fixed rate of not more than one Argentine peso per U.S. dollar over shorter periods. If the Argentine peso were permitted to depreciate against the U.S. dollar, such depreciation may affect our ability to meet our U.S. dollar-denominated obligations.

The Argentine government currently imposes no restrictions on an Argentine company's right to convert Argentine pesos into U.S. dollars. Nevertheless, we can give no assurance that the Argentine government will not institute a restrictive exchange control policy in the future. Foreign currency exchange restrictions imposed by the Argentine government in the future could prevent or restrict our access to U.S. dollars with which to meet our U.S. dollar obligations under our U.S. dollar-denominated liabilities.

LIMITATIONS AFFECTING NON-MEXICAN SECURITYHOLDERS

Ownership of shares of Mexican enterprises by non-Mexicans is regulated by the 1993 *Ley de Inversión Extranjera* (the Foreign Investment Law) and the regulations applicable thereto. The *Comisión Nacional de Inversión Extranjera* (the National Foreign Investment Commission) is responsible for the administration of the Foreign Investment Law and the Regulations.

As a general rule, the Foreign Investment Law allows foreign holdings of up to 100% of the capital stock of Mexican companies, except for those engaged in certain specified restricted industries. The Foreign Investment Law and its regulations require that Mexican shareholders retain the power to determine the administrative control and the management of corporations in industries where special restrictions on foreign holdings are applicable. Foreign investment in our shares is not limited under the Foreign Investment Law and its regulations. However, our bylaws provide that Series A Shares shall at all times constitute no less than 51% of our shares and may only be held by Mexican investors.

Under our bylaws, holders of Series L Shares are entitled to vote only in limited circumstances. They may elect one of our sixteen directors and, in certain circumstances where holders of Series L Shares have not voted for the director elected by holders of the majority of such series of shares, they may be entitled to elect one or more additional directors. See "Item 6. Directors, Senior Management and Employees." In addition, (i) transformation of our company from one type of company to another (other than changing from a variable capital to fixed-capital corporation and vice versa), (ii) any merger where we are not the surviving entity or any merger with an entity whose principal corporate purposes are different from those of our company or our subsidiaries, and (iii) cancellation of the registration of our shares with the RNVI or with other foreign stock exchanges on which our shares may be listed, require a quorum of 82% of our capital stock (including the Series L Shares) and the vote of at least a majority of our capital stock voting (and not abstaining). The affirmative vote of 95% of our capital stock (including the Series L Shares) and the approval of the CNBV would be required to amend the controlling shareholders' obligation under the bylaws to make a public offer to repurchase our shares in the event the registration of our shares in the Securities Section of the RNVI is cancelled. Except as described above and in the following paragraph, the holders of Series L Shares have no voting rights. Holders of Series L Shares are not entitled to attend or to address meetings of shareholders at which they are not entitled to vote.

Under Mexican law, holders of shares of any series are also entitled to vote as a class in a special meeting governed by the same rules that apply to extraordinary meetings, as described below, on any action that would prejudice the rights of holders of shares of such series but not rights of holders of shares of other series. In addition, a holder of shares of the series which might be prejudiced would be entitled to judicial relief against any prejudicial action taken without the required vote. The determination of whether an action requires a class vote on these grounds would initially be made by our board of directors or our examiners. A negative determination would be subject to judicial challenge by an affected shareholder, and the necessity for a class vote would ultimately be determined by a Mexican court. There are no other procedures for determining whether a particular proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination.

Holders of ADRs representing our ADSs are entitled to instruct the depositary as to the exercise of the limited voting rights pertaining to the Series L Shares represented by their ADSs, subject to the terms of the ADS deposit agreement.

General shareholders' meetings may be ordinary meetings or extraordinary meetings. General extraordinary meetings are those called to consider certain matters specified in Article 182 of the Mexican Companies Law and the bylaws, including, principally, amendments to the bylaws, liquidation, dissolution, merger, transformation from one type of corporate form to another, change in nationality, change of corporate purpose, issuance of convertible debentures, and increases and reductions of the fixed portion of the capital. In addition, our bylaws require an extraordinary general meeting to consider the cancellation of the registration of our shares with the RNVI or with other foreign stock exchanges on which its shares may be listed. General meetings called to consider all other matters are ordinary meetings which must be held at least once each year during the four months following the end of each fiscal year to consider certain matters specified in Article 181 of the Mexican Companies Law, including the election of directors and examiners, the determination of their compensation, and the approval of

the report of the board of directors regarding our performance and financial statements for the preceding fiscal year. Holders of Series L Shares are not entitled to attend or to address meetings of shareholders at which they are not entitled to vote.

Under Mexican law, holders of 20% of our outstanding shares of common stock entitled to vote on a particular item may judicially oppose resolutions adopted at a general meeting if the following conditions are met: (i) such holders file a complaint with a Mexican court within 15 days after the adjournment of the meeting at which such action was taken; (ii) such holders' complaint details the provisions of the Mexican law or our bylaws that are violated and the reason for their claim; and (iii) such holders were not represented at the meeting when the action was taken or, if represented, voted against such action.

Stockholders' meetings may be called by our board of directors, our examiners, and, under certain circumstances, a Mexican court. In addition, an ordinary meeting may be called by any holder of Series A or D shares if an ordinary stockholders' meeting has not been held within the preceding two fiscal years or if any action required under Mexican law to be taken at any ordinary stockholders' meeting is not taken. The board of directors or the examiners may be required to call a stockholders' meeting at the written request of the holders of 10% of the outstanding Series A or D Shares or, in the case of a meeting at which holders of Series L Shares would be entitled to vote, at the written request of the holders of 10% of the outstanding Series L Shares. In the event that such a meeting is not called within 15 days following the date of such request, a Mexican court may require it to be called. Notices of meetings and the meeting agendas must be published in the *Periódico Oficial del Estado de Nuevo León* (the Official Gazette of the State of Nuevo León), or a newspaper of general circulation in Monterrey, Nuevo León, Mexico, at least 15 days prior to the date set for the meeting. To attend a meeting, stockholders must deposit their shares with us or with an institution for the deposit of securities prior to the meeting as indicated in the notice. If entitled to attend a meeting, a stockholder may be represented by an attorney-in-fact.

Forfeiture of Shares. As required by Mexican law, our bylaws provide that our non-Mexican shareholders formally agree with the *Secretaría de Relaciones Exteriores* (the Ministry of Foreign Affairs) to: (i) be considered as Mexicans with respect to our shares that they acquire or hold as well as to the property, rights, concessions, participation or interest owned by us or to the rights and obligations derived from any agreements we have with the Mexican government and (ii) not invoke the protection of their own governments in matters relating to their ownership of our shares. Failure to comply with these provisions is subject to a penalty of forfeiture of such shareholders' capital interests in favor of the Mexican government. In the opinion of Lic. Carlos Aldrete Ancira, our General Counsel, a non-Mexican shareholder is not deemed to have waived under this provision any other rights it may have, including any rights under the United States securities laws, with respect to its investment in our company.

Conflict of Interest. A shareholder voting on a business transaction in which its interests conflict with our interests may be liable for damages if the transaction would not have been approved without the shareholder's vote.

Appraisal Rights. Whenever the shareholders approve a change of corporate purposes, change of nationality of the company, or transformation from one form of company to another, a shareholder entitled to vote who has voted against the change may withdraw from our company and receive the amount attributable to its shares under Mexican law, provided that the shareholder exercises its rights within 15 days following the adjournment of the meeting at which the change was approved. Because holders of Series L Shares are not entitled to vote on certain of these changes, such withdrawal rights are available to holders of Series L Shares in fewer cases than to holders of other series of our capital stock.

TAXATION

The following summary contains a description of certain U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of the 8.95% Notes due November 1, 2006 (the "Notes"), Series L Shares or ADSs by a holder that is a citizen or resident of the United States, a U.S. domestic corporation or a person or entity that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the Notes, Series L Shares or ADSs (a "U.S. holder"), but it does not purport to be a description of all of the possible tax considerations that may be relevant to a decision to purchase the Notes, Series L Shares or ADSs. In particular, this discussion does not address all Mexican or U.S. federal income tax considerations that may be relevant to a particular investor, nor does it address the special tax rules applicable to certain categories of investors, such as banks, dealers, traders who elect to mark to market, tax-exempt entities, insurance companies, investors who hold the Notes, Series L Shares or ADSs as part of a hedge, straddle, conversion or integrated transaction or investors who have a "functional currency" other than the U.S. dollar. This summary deals only with U.S. holders that will hold the Notes, Series L Shares or ADSs as capital assets, but does not address the tax treatment of a U.S. holder that owns or is treated as owning 10% or more of the voting shares (including Series L Shares) of our company. Nor does it address the situation of holders of Notes who did not acquire the Notes as part of the initial distribution.

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

Mexican Taxation

For purposes of this summary, the term "non-resident holder" means a holder that is not a resident of Mexico and that does not hold the Notes, Series L Shares, or ADSs in connection with the conduct of a trade or business through a permanent establishment or fixed base in Mexico. For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, unless he or she has resided in another country for more than 183 days (whether consecutive or not) during a calendar year, and can demonstrate that he or she has become a resident of that country for tax purposes. A legal entity is a resident of Mexico either if it is organized under the laws of Mexico or if it has its principal place of business or its place of effective management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless such a person can demonstrate that the contrary is true. If a legal entity or an individual is deemed to have a permanent establishment or a fixed base in Mexico for tax purposes, all income attributable to such a permanent establishment will be subject to Mexican taxes, in accordance with applicable tax laws.

Tax Considerations Relating to the Notes

Taxation of Interest and Principal in Respect of the Notes. Under Mexican income tax law, payments of interest by a Mexican issuer in respect of its notes (including payments of principal in excess of the issue price of such notes, which, under Mexican law, are deemed to be interest) to a non-resident holder will generally be subject to a Mexican withholding tax assessed at a rate of 4.9% if (i) the relevant notes are registered with the Special Section of the National Registry of Securities and Intermediaries maintained by the National Banking and Securities Commission, (ii) the notes are placed, through banks or brokerage houses, in a country which has entered into a treaty to avoid double taxation with Mexico, and (iii) no party related to us (defined under the applicable law as parties that are (x) shareholders of our company that own, directly or indirectly, individually or collectively, with related persons (within the meaning of the applicable law) more than ten percent (10%) of our voting stock or (y) corporations more than twenty percent (20%) of the stock of which is owned, directly or indirectly, individually or collectively, with related persons of our company), directly or indirectly, is the effective beneficiary of five percent (5%) or more of the aggregate amount of each such interest payment.

Apart from the Mexican income tax law discussed in the preceding paragraph, other provisions reducing the rate of Mexican withholding taxes may also apply. Under the Tax Treaty, the rate would be 4.9% for certain

holders that are residents of the United States (within the meaning of the Tax Treaty). If the requirements described in the preceding paragraph are not met and no other provision reducing the rate of Mexican withholding taxes applies, such interest payments will be subject to a Mexican withholding tax assessed at a rate of 40%.

Payments of interest made by us with respect to the Notes to non-Mexican pension or retirement funds will be exempt from Mexican withholding taxes, provided that any such fund (i) is duly incorporated pursuant to the laws of its country of origin and is the effective beneficiary of the interest accrued, (ii) is exempt from income tax in such country, and (iii) is registered with the Ministry of Finance for that purpose.

We have agreed, subject to specified exceptions, to pay additional amounts ("Additional Amounts") to the holders of the Notes in respect of the Mexican withholding taxes mentioned above. If we pay Additional Amounts in respect of such Mexican withholding taxes, any refunds received with respect to such Additional Amounts will be for the account of our company.

Holders or beneficial owners of Notes may be requested by us to provide certain information or documentation required by applicable law to facilitate the determination of the appropriate withholding tax rate applicable to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided on a timely basis, our obligation to pay Additional Amounts may be limited.

Under existing Mexican law and regulations, a non-resident holder will not be subject to any Mexican taxes in respect of payments of principal made by us with respect to the Notes.

Taxation of Dispositions of Notes. Capital gains resulting from the sale or other disposition of the Notes by a non-resident holder will not be subject to Mexican income or other taxes.

Tax Considerations Relating to the Series L Shares and the ADSs

Taxation of Dividends. Under Mexican income tax law, dividends, either in cash or in kind, paid with respect to the Series L Shares represented by ADSs or the Series L Shares are subject to 5% Mexican withholding tax imposed on the amount of the distributed dividend multiplied by a factor of 1.5385, which produces an effective withholding rate of approximately 7.7%. In accordance with rules issued by the Mexican Ministry of Finance and Public Credit, the applicable factor is 1.515 for dividends paid out of post-tax profits held by the distributing corporation as of December 31, 1998.

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

Other Mexican Taxes

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

United States Taxation

Tax Considerations Relating to the Notes

Taxation of Interest and Additional Amounts in Respect of the Notes. A U.S. holder will treat the gross amount of interest and Additional Amounts (*i.e*., without reduction for Mexican withholding taxes) as ordinary interest income in respect of the Notes. Mexican withholding taxes paid at the appropriate rate applicable to the U.S. holder will be treated as foreign income taxes eligible for credit against such U.S. holder's United States federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of such U.S. holder, for deduction in computing such U.S. holder's taxable income. Interest and Additional Amounts constitute income from sources without the United States for foreign tax credit purposes. During any period where the applicable withholding rate is 4.9%, such income generally will constitute "passive income" or, in the case of certain U.S. holders, "financial services income." If the Mexican withholding tax rate applicable to a U.S. holder is 5% or more, however, such income generally will constitute "high withholding tax interest."

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involves the application of rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits and the treatment of Additional Amounts.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities or in respect of arrangements in which a U.S. holder's expected economic profit, after non-U.S. taxes, is insubstantial. U.S. holders should consult their own advisers concerning the implications of these rules in light of their particular circumstances.

A holder or beneficial owner of Notes that is, with respect to the United States, a foreign corporation or a nonresident alien individual (a "Non-U.S. holder") generally will not be subject to United States federal income or withholding tax on interest income or Additional Amounts earned in respect of Notes, unless such income is effectively connected with the conduct by the Non-U.S. holder of a trade or business in the United States.

Taxation of Dispositions of Notes. A gain or loss realized by a U.S. holder on the sale, exchange, redemption or other disposition of Notes generally will be a long-term capital gain or loss if, at the time of the disposition, the Notes have been held for more than one year. A long-term capital gain realized by a U.S. holder that is an individual generally is subject to a maximum tax rate of 20 percent.

Tax Considerations Relating to the Series L Shares and the ADSs

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

Taxation of Dividends. The gross amount of any dividends (before reduction for Mexican withholding tax) paid with respect to the Series L Shares represented by ADSs or the Series L Shares generally will be included in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder, in the case of the Series L Shares, or by the Depositary, in the case of the Series L Shares represented by ADSs, and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended. Dividends, which will be paid in pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated, in general, by reference to the exchange rate in effect on the day they are received by the U.S. holder, in the case of the Series L Shares, or by the Depositary, in the case of the Series L Shares represented by the ADSs. U.S. holders should consult their tax advisors regarding the treatment of the foreign currency gain or loss, if any, on any pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt. Dividends generally will constitute foreign source "passive income" or, in the case of certain U.S. holders, "financial services income" for U.S. foreign tax credit purposes.

Mexican tax withheld from dividend distributions will be treated as a foreign income tax that, subject to generally applicable limitations under U.S. tax law, is eligible for credit against a U.S. holder's federal income tax liability or, at the U.S. holder's election, may be deducted in computing taxable income.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities or in respect of arrangements in which a U.S. holder's expected economic profit, after non-U.S. taxes, is insubstantial. U.S. holders should consult their own advisers concerning the implications of these rules in light of their particular circumstances.

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

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

Taxation of Capital Gains. A gain or loss realized by a U.S. holder on the sale or other disposition of ADSs or Series L Shares will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's tax basis in the ADSs or the Series L Shares. Any such gain or loss will be a long-term capital gain or loss if the ADSs or Series L Shares were held for more than one year on the date of such sale. A long-term capital gain realized by a U.S. holder that is an individual generally is subject to a maximum tax rate of 20 percent. Deposits and withdrawals of Series L Shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

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

United States Backup Withholding and Information Reporting

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

DOCUMENTS ON DISPLAY

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the U.S. Securities and Exchange Commission. These materials, including this Annual Report and its exhibits, may be inspected and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference room and their copy charges.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Our business activities require the holding or issuing of financial instruments that expose us to market risks related to changes in interest rates and foreign currency exchange rates.

Interest Rate Risk

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. At December 31, 2000, we had outstanding indebtedness of Ps. 2.956 billion, of which approximately 98% bore interest at fixed interest rates and approximately 2.0% bore interest at variable interest rates. The interest rate on our variable rate debt is determined by reference to Libor. Libor increases would, consequently, increase our interest payments.

The table below provides information about our derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, presenting principal payments and related weighted average interest rates by expected maturity dates. Weighted average variable rates are based on the Libor curve on December 31, 2000, plus spread contracted by us. The instruments' actual payments are denominated in U.S. dollars, which are presented in pesos, our reporting currency, in the table below, utilizing the December 31, 2000 exchange rate of 9.61 pesos per dollar.

The fair value of long-term notes payable is based on quoted market prices.

Principal by Year of Maturity
At December 31, 2000
(millions of Mexican pesos)

						2006	2000		1999	
	2001	2002	2003	2004	2005	and thereafter	Total	Fair Value	Total	Fair Value
Fixed Rate Debt										
U.S. dollars	8.2	4.8	—	961.0	—	1928.0	2897.2	2979.6	2866.1	2917.6
Weighted average rate	6.8%	7.0%	—	9.4	—	9.0%	9.1%			
Variable Rate Debt										
U.S. dollars	11.3	9.9	8.5	8.5	6.5	14.5	59.2	59.2	44.1	44.1
Weighted average rate	8.1%	8.6%	8.9%	8.9%	9.6%	9.6%	8.9%			

A hypothetical, instantaneous and unfavorable change of 100 basis points in the average interest rate applicable to floating-rate liabilities held at December 31, 2000 would increase our interest expense in 2000 by approximately Ps. 0.6 million, or 0.2%, over a 12-month period, assuming no additional debt is incurred during such period.

Exchange Rate Risk. Our principal exchange rate risk involves changes in the value of the peso relative to the U.S. dollar. In 2000, approximately 79.1% of our consolidated total revenues were denominated in pesos, and 20.9% were denominated in Argentine pesos. We estimate that a majority of our consolidated costs and expenses are denominated in pesos for Mexican subsidiaries and in Argentine pesos for Coca-Cola FEMSA de Buenos Aires. As of December 31, 2000, all our indebtedness was denominated in U.S. dollars. Decreases in the value of the peso relative to the U.S. dollar will increase the cost in pesos of our foreign currency denominated operating costs and expenses and of the debt service obligations with respect to our foreign currency denominated indebtedness. A depreciation of the peso relative to the U.S. dollar will also result in foreign exchange losses as the peso value of our foreign currency denominated indebtedness is increased.

Our exposure to market risk associated with changes in foreign currency exchange rates relates primarily to U.S. dollar-denominated debt obligations as shown in the interest risk table above. We occasionally utilize currency forward contracts to hedge our exposure to the U.S. dollar relative to the peso and Argentine peso.

As of December 31, 1999, in order to cover the foreign exchange rate risks between the peso and the U.S. dollar, we had outstanding 21 U.S. dollar-forward agreements, representing a total amount of U.S.$192 million, all maturing during 2000. The weighted average forward exchange rate contracted in these agreements was 11.06 pesos per one U.S. dollar. The unexpected strength of the peso in 2000 resulted in losses taken on these contracts. See "Item 5. Operating and Financial Review and Prospects—Results of Operations for the Year Ended December 31, 2000 compared to the Year Ended December 31, 1999—Integral Cost of Financing."

Dollar-Forward and Call Options Agreements by Year of Maturity
At December 31,
(millions of U.S. dollars)

	2000		1999	
		Fair Value		**Fair Value**
Dollar-Forwards				
To cover peso risk	131	(3.8)	192	(18.5)
Weighted average rate:				
Contracted	Ps. 10.605		Ps. 11.060	
Quoted Market	Ps. 10.302		Ps. 10.145	
To cover Argentine peso risk	100	(0.7)		
Weighted average rate:				
Contracted	A$ 1.070			
Quoted Market	A$ 1.077			
Call Options	1.4	0.6		

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the peso relative to the U.S. dollar occurring on December 31, 2000, would have resulted in an increase in our consolidated integral result of financing expense of approximately Ps. 7.1 million over a 12-month period, reflecting higher interest expense and foreign exchange loss based on our U.S. dollar denominated indebtedness at December 31, 2000. However, this result does not take into account any gain on monetary position that would be expected to result from an increase in the inflation rate generated by a devaluation of the peso relative to the U.S. dollar, which would reduce the consolidated net integral cost of financing.

Equity Risk. In 1997, certain of our subsidiaries commenced an executive incentive program, which is administered by a trust for the benefit of the participating executive officers. In November 1997, we hedged our obligations under the executive incentive program by investing in options related to FEMSA BD Units. See "Item 6. Directors, Senior Management and Employees—Compensation of Directors and Officers."

At December 31, 2000, the stock market price of a FEMSA BD Unit was Ps. 28.6. The fair value of the options is estimated based on quoted market prices to terminate the contracts on December 31, 2000.

	2000		1999	
	2002	**Fair Value** (millions of pesos)	**2002**	**Fair Value** (millions of pesos)
Equity Risk:				
Call Options on FEMSA BD Units (long)*				
Contracts (one BD Unit per contract)	595,158	Ps. 3.9	595,158	Ps. 12.4
Strike Price (Dollars per BD Units)	$3.69		$3.74	

**Call option contracts are European and can be either settled in cash or in shares.*

Items 12-17. Not Applicable

Item 18. Financial Statements

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

Item 19. Exhibits

(a) List of Financial Statements

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

(b) List of Exhibits

Exhibit No:	Description
Exhibit 1.1	Bylaws (*Estatutos Sociales*) of Coca-Cola FEMSA, dated May 12, 1993 (incorporated by reference to Exhibit 3.4 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 1.2	Amendment to the Bylaws of Coca-Cola FEMSA, dated June 21, 1993 (incorporated by reference to Exhibit 3.5 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 2.1	Deposit Agreement among Coca-Cola FEMSA, the Bank of New York as Depositary and Holders and Beneficial Owners of American Depository Receipts, dated as of September 1, 1993 (incorporated by reference to Exhibit 3.5 to the Registration Statement of FEMSA on Form F-4 filed on April 9, 1998 (File No. 333-8618)).
Exhibit 2.2	Indenture Agreement between Coca-Cola FEMSA and Citibank, N.A., as Trustee, dated as of October 28, 1996 (incorporated by reference to Exhibit 2.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1997 (File No. 1-12260)).
Exhibit 2.3	Note Purchase Agreement between Coca-Cola FEMSA and the holders specified therein, dated as of August 26, 1994 (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).

Exhibit No:	Description
Exhibit 4.1	Bottler Agreement with respect to the Valley of Mexico between Coca-Cola FEMSA and The Coca-Cola Company, dated June 21, 1993 (incorporated by reference to Exhibit 10.1 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.2	Supplemental Agreement with respect to the Valley of Mexico between Coca-Cola FEMSA and The Coca-Cola Company, dated June 21, 1993 (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.3	Bottler Agreement with respect to the Southeast Territory in Mexico between Coca-Cola FEMSA and The Coca-Cola Company, dated June 21, 1993 (incorporated by reference to Exhibit 10.2 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.4	Supplemental Agreement with respect to the Southeast Territory in Mexico between Coca-Cola FEMSA and The Coca-Cola Company, dated June 21, 1993 (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.5	Bottler Agreement with respect to the greater Buenos Aires area between Coca-Cola FEMSA and The Coca-Cola Company, dated August 22, 1994 (incorporated by reference to Exhibit 10.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).
Exhibit 4.6	Supplemental Agreement with respect to the greater Buenos Aires area between Coca-Cola FEMSA and The Coca-Cola Company, dated August 22, 1994 (incorporated by reference to Exhibit 10.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).
Exhibit 4.7	Amendment, dated August 4, 1995, to Bottler Agreement with respect to the greater Buenos Aires area, dated August 22, 1994, between Coca-Cola FEMSA and The Coca-Cola Company (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.8	Bottler Agreement with respect to former SIRSA San Isidro Refrescos, S.A. I y C ("SIRSA") territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.9	Supplemental Agreement with respect to former SIRSA territory between Coca-Cola FEMSA and The Coca-Cola Company, dated December 1, 1995 (incorporated by reference to Exhibit 10.6 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).

Exhibit No:	Description
Exhibit 4.10	Amendment, dated February 1, 1996, to Bottler Agreement with respect to former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (incorporated by reference to Exhibit 10.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.11	Amendment, dated October 30, 1997, to Bottler Agreement with respect to the Southeast Territory and the Tapachula area in Mexico, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company (with an English translation).
Exhibit 4.12	Amendment, dated May 22, 1998, to Bottler Agreement with respect to the former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (with an English translation).
Exhibit 4.13	Shareholders Agreement by and among FEMSA, The Coca-Cola Company and the Inmex Corporation dated as of June 21, 1993 (incorporated by reference to Exhibit 9.1 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.14	Amendment, dated January 28, 1999, to the Shareholders Agreement, dated June 21, 1993, among FEMSA, The Coca-Cola Company, and the Inmex Corporation (incorporated by reference to Exhibit 1.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1999 (File No. 1-12260)).
Exhibit 4.15	Services Agreement between Coca-Cola FEMSA and FEMSA Logística, dated November 7, 2000 (with an English translation).
Exhibit 4.16	Supply Agreement between Coca-Cola FEMSA and FEMSA Empaques, dated June 21, 1993 (incorporated by reference to Exhibit 10.7 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.17	Coca-Cola Tradename License Agreement between Coca-Cola FEMSA and The Coca-Cola Company, dated June 21, 1993 (incorporated by reference to Exhibit 10.40 to FEMSA's Registration Statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).
Exhibit 8.1	List of Coca-Cola FEMSA's Significant Subsidiaries.

COCA-COLA FEMSA, S.A. DE C.V.

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To the Stockholders of
Coca-Cola FEMSA, S.A. de C.V.,

We have audited the accompanying consolidated balance sheet of COCA-COLA FEMSA, S.A. de C.V. (a Mexican corporation) AND SUBSIDIARIES (collectively referred to as the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and in the United States. Those standards require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in conformity with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As mentioned in Note 4n), beginning in 2000 the Company adopted the new procedures for the recognition of deferred income taxes as prescribed by recently revised Bulletin D-4, "Accounting for Income Taxes, Asset Taxes and Employee Profit Sharing."

Accounting practices used by the Company in preparing the accompanying consolidated financial statements conform with accounting principles generally accepted in Mexico but do not conform with accounting principles generally accepted in the United States (U.S. GAAP). A description of these differences and a reconciliation of consolidated net income and stockholders' equity to U.S. GAAP as permitted by Form 20-F, which allows omission of the requirement to quantify, in the U.S. GAAP reconciliation, the differences attributable to the effects of comprehensive inflation adjustments recorded locally, are set forth in Notes 21 and 22.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Coca-Cola FEMSA, S.A. de C.V. and Subsidiaries as of December 31, 2000 and 1999, and the results of their operations, the changes in their stockholder's equity and the changes in their financial position for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

January 25, 2001
México, D.F.

COCA-COLA FEMSA, S.A. DE C.V. AND SUBSIDIARIES

MÉXICO, D.F.

Consolidated Balance Sheet

At December 31, 2000 and 1999

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2000

		2000			1999
ASSETS					
Current Assets:					
Cash and cash equivalents	$	**199,833**	**Ps.**	**1,920,393**	Ps. 581,490
Accounts receivable:					
Trade		**66,456**		**638,645**	598,013
Notes		**6,496**		**62,424**	108,115
Other		**17,102**		**164,348**	91,363
		90,054		**865,417**	797,491
Recoverable Taxes		**419**		**4,025**	3,663
Inventories		**52,498**		**504,510**	486,814
Prepaid expenses		**6,852**		**65,849**	40,874
Total Current Assets		**349,656**		**3,360,194**	1,910,332
Property, Plant and Equipment:					
Land		**81,474**		**782,964**	724,974
Buildings, machinery and equipment		**881,457**		**8,470,806**	8,903,013
Accumulated depreciation		**(290,089)**		**(2,787,757)**	(2,769,062)
Construction in process		**28,012**		**269,194**	261,815
Bottles and cases		**33,312**		**320,132**	343,023
Total Property, Plant and Equipment		**734,166**		**7,055,339**	7,463,763
Investments in Shares		**21,963**		**211,064**	204,226
Deferred Charges, Net		**52,242**		**502,008**	486,845
Goodwill, Net		**170,508**		**1,638,581**	1,843,084
TOTAL ASSETS	**$**	**1,328,535**	**Ps.**	**12,767,186**	Ps. 11,908,250

COCA-COLA FEMSA, S.A. DE C.V. AND SUBSIDIARIES

MÉXICO, D.F.

Consolidated Balance Sheet

At December 31, 2000 and 1999

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2000

	2000		1999
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:	**$ 6,943**	**Ps. 66,721**	Ps. 72,280
Bank loans and accrued interest	**2,064**	**19,832**	35,269
Current maturities of long-term debt	**144,216**	**1,385,920**	1,211,283
Suppliers	**44,809**	**430,610**	313,606
Accounts payable	**26,932**	**258,805**	491,224
Accrued taxes	**12,384**	**119,006**	103,642
Other liabilities			
Total Current Liabilities	**237,348**	**2,280,894**	2,227,304
Long-Term Liabilities:			
Long-term debt	**307,552**	**2,955,571**	3,165,581
Current maturities	**(2,064)**	**(19,832)**	(35,269)
Pension plan	**15,035**	**144,486**	136,117
Seniority premiums	**1,700**	**16,323**	22,374
Deferred income taxes	**82,038**	**788,384**	-
Other liabilities	**19,884**	**191,087**	115,578
Total Long Term Liabilities	**424,145**	**4,076,019**	3,404,381
Total Liabilities	**661,493**	**6,356,913**	5,631,685
Stockholders' Equity:			
Capital stock	**223,444**	**2,147,298**	2,147,298
Additional paid-in capital	**157,207**	**1,510,755**	1,510,755
Retained earnings	**413,985**	**3,978,395**	4,011,740
Net income for the year	**134,443**	**1,292,000**	1,044,379
Cumulative translation adjustment	**115,401**	**1,109,000**	1,017,831
Cumulative result of holding nonmonetary assets	**(377,438)**	**(3,627,175)**	(3,455,438)
Total Stockholders' Equity	**667,042**	**6,410,273**	6,276,565
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,328,535**	**Ps. 12,767,186**	Ps. 11,908,250

The accompanying motes are an integral part of this consolidated balance sheet.

México, D.F. January 25, 2001.

Carlos Salazar Lomelín
Chief Executive Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer

COCA-COLA FEMSA, S.A. DE C.V. AND SUBSIDIARIES

MÉXICO, D.F.

Consolidated Income Statement

For the years ended December 31, 2000, 1999 and 1998

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2000

		2000				1999		1998
Net sales	**$**	**1,717,153**	**Ps.**	**16,501,841**	Ps.	15,100,412	Ps.	14,366,298
Other operating revenues		**8,630**		**82,933**		54,785		111,116
Total revenues		**1,725,783**		**16,584,774**		15,155,197		14,477,414
Cost of sales		**855,957**		**8,225,744**		7,989,468		7,994,227
Gross profit		**869,826**		**8,359,030**		7,165,729		6,483,187
Operating expenses:								
Administrative		**135,038**		**1,297,719**		1,098,259		962,072
Selling		**416,614**		**4,003,656**		3,728,950		3,458,708
		551,652		**5,301,375**		4,827,209		4,420,780
Goodwill amortization		**12,207**		**117,316**		125,483		133,785
Fixed asset adjustment		**-**		**-**		-		55,736
Income from operations		**305,967**		**2,940,339**		2,213,037		1,872,886
Integral cost of financing:								
Interest expense		**35,091**		**337,230**		447,765		543,948
Interest income		**(14,133)**		**(135,815)**		(78,964)		(22,217)
Foreign exchange loss, net		**35,662**		**342,698**		36,292		120,160
Gain on monetary position		**(635)**		**(6,104)**		(99,639)		(222,975)
		55,985		**538,009**		305,454		418,916
Other expenses, net		**14,582**		**140,133**		71,726		249,767
Income for the year before income taxes, asset tax and employee profit sharing		**235,400**		**2,262,197**		1,835,857		1,204,203
Income taxes, asset tax and employee profit sharing		**100,957**		**970,197**		791,478		465,034
Net income for the year	**$**	**134,443**	**Ps.**	**1,292,000**	Ps.	1,044,379	Ps.	739,169
Weighted average shares outstanding (in thousands)		**1,425,000**		**1,425,000**		1,425,000		1,425,000
Net income per share (U.S. dollars and Mexican pesos)	**$**	**0.09**	**Ps.**	**0.91**	Ps.	0.73	Ps.	0.52

The accompanying notes are an integral part of this consolidated income statement.

COCA-COLA FEMSA, S.A. DE C.V. AND SUBSIDIARIES

MÉXICO, D.F.

Consolidated Statement of Changes in Financial Position

For the years ended December 31, 2000, 1999 and 1998

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2000

	2000		1999	1998
RESOURCES GENERATED BY (USED IN)				
Operations:				
Net income for the year	**$ 134,443**	**Ps. 1,292,000**	Ps. 1,044,379	Ps. 739,169
Depreciation	**73,387**	**705,245**	604,094	462,866
Breakage of bottles and cases	**27,332**	**262,659**	225,240	166,755
Goodwill amortization	**12,207**	**117,316**	125,483	133,785
Amortization and other	**16,359**	**157,206**	198,070	170,090
	263,728	**2,534,426**	2,197,266	1,672,665
Working Capital:				
Accounts receivable	**(7,068)**	**(67,926)**	(34,495)	(85,610)
Inventories	**(1,564)**	**(15,030)**	(38,756)	77,340
Prepaid expenses and recoverable taxes	**(2,637)**	**(25,337)**	42,339	(36,594)
Suppliers	**18,170**	**174,615**	286,640	(14,845)
Accounts payable and other	**13,774**	**132,368**	87,485	(14,378)
Accrued taxes	**(24,147)**	**(232,057)**	346,349	(2,736)
	(3,472)	**(33,367)**	689,562	(76,823)
Net Resources Generated by Operations	**260,256**	**2,501,059**	2,886,828	1,595,842
Investments:				
Property, plant and equipment	**(78,627)**	**(755,601)**	(800,044)	(1,456,692)
Retirements of property, plant and equipment	**524**	**5,034**	22,217	178,616
Investments in shares and deferred charges	**(15,031)**	**(144,450)**	(143,477)	(242,377)
Net Resources Used in Investing Activities	**(93,134)**	**(895,017)**	(921,304)	(1,520,453)
Financing Activities:				
Amortization in real terms of financing for the purchase of Coca-Cola FEMSA Buenos Aires shares	**(22,973)**	**(220,771)**	(656,439)	(435,465)
Translation adjustment in Coca-Cola FEMSA Buenos Aires investment	**9,487**	**91,169**	411,857	(105,405)
Increase (decrease) in notes and accrued interest	**(576)**	**(5,536)**	(17,545)	(103,383)
Increase (decrease) interest in bank loans	**1,117**	**10,738**	(1,128,582)	672,893
Dividends paid	**(24,550)**	**(235,929)**	(190,831)	(189,578)
Other liabilities	**9,456**	**90,872**	35,235	13,976
Pension plan and seniority premiums	**241**	**2,318**	(30,280)	3,419
Net Resources Used in Financing Activities	**(27,798)**	**(267,139)**	(1,576,585)	(143,543)
Net increase (decrease) in cash and cash equivalents	**139,324**	**1,338,903**	388,939	(68,154)
Cash and cash equivalents at beginning of the year	**60,509**	**581,490**	192,551	260,705
Cash and Cash Equivalents at end of the year	**$ 199,833**	**Ps. 1,920,393**	Ps. 581,490	Ps. 192,551

The accompanying notes are an integral part of this consolidated statements of charge in financial position.

COCA-COLA FEMSA, S.A. DE C.V. AND SUBSIDIARIES

MÉXICO, D.F.

Consolidated Statement of Changes in Stockholder's Equity

For the years ended December 31, 2000, 1999 and 1998

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2000

Description		Capital Stock		Additional Paid-in Capital		Retained Earnings
CONSOLIDATED BALANCES AT DECEMBER 31, 1997	Ps.	1,961,402	Ps.	1,696,651	Ps.	2,733,575
Transfer of income of prior year						919,405
Dividends paid						(189,578)
Net income for the year						
Other comprehensive income:						
Translation adjustment of Coca-Cola FEMSA						
Buenos Aires Investment						
Results from holding nonmonetary assets						
Comprehensive Income						
CONSOLIDATED BALANCES AT DECEMBER 31, 1998	Ps.	1,961,402	Ps.	1,696,651	Ps.	3,463,402
Transfer of additional paid in capital to capital stock		185,896		(185,896)		
Transfer of income of prior year						739,169
Dividends paid						(190,831)
Net income for the year						
Other comprehensive income:						
Translation adjustment of Coca-Cola FEMSA						
Buenos Aires Investment						
Results from holding nonmonetary assets						
Comprehensive Income						
CONSOLIDATED BALANCES AT DECEMBER 31, 1999	Ps.	2,147,298	Ps.	1,510,755	Ps.	4,011,740
Initial effect of deferred taxes						(841,795)
Transfer of income of prior year						1,044,379
Dividends paid						(235,929)
Net income for the year						
Other comprehensive income:						
Translation adjustment of Coca-Cola FEMSA						
Buenos Aires Investment						
Results from holding nonmonetary assets						
Comprehensive Income						
CONSOLIDATED BALANCES AT DECEMBER 31, 2000	**Ps.**	**2,147,298**	**Ps.**	**1,510,755**	**Ps.**	**3,978,395**

The accompanying notes are an integral part of this consolidated statement of changes in stockholders' equity.

Net Income for the Year	Cumulative Translation Adjustment	Cumulative Result of Holding Nonmonetary Assets	Total Stockholders' Equity
Ps. 919,405	Ps. 711,379	Ps. (3,460,637)	Ps. 4,561,775
(919,405)			-
			(189,578)
739,169			739,169
	(105,405)		(105,405)
		537,832	537,832
739,169	(105,405)	537,832	1,171,596
Ps. 739,169	Ps. 605,974	Ps. (2,922,805)	Ps. 5,543,793
			-
(739,169)			-
			(190,831)
1,044,379			1,044,379
	411,857		411,857
		(532,633)	(532,633)
1,044,379	411,857	(532,633)	923,603
Ps. 1,044,379	Ps. 1,017,831	Ps. (3,455,438)	Ps. 6,276,565
			(841,795)
(1,044,379)			-
			(235,929)
1,292,000			1,292,000
	91,169		91,169
		(171,737)	(171,737)
1,292,000	91,169	(171,737)	1,211,432
Ps. 1,292,000	**Ps. 1,109,000**	**Ps. (3,627,175)**	**Ps. 6,410,273**

The accompanying notes are an integral part of consolidated statement of changes in stockholders' equity.

Activities of the Company.

Coca-Cola FEMSA, S.A. de C.V. ("Coca-Cola FEMSA") is a Mexican corporation controlled by Grupo Industrial Emprex, S.A. de C.V. ("Emprex"), whose main activity is the acquisition, holding and transferring of all types of bonds, capital stock, shares and marketable securities. Emprex is controlled by Fomento Económico Mexicano, S.A. de C.V. ("FEMSA")

Coca-Cola FEMSA is an association between Emprex, which owns 51% of the capital stock, and Inmex Corporation, which is a subsidiary of The Coca-Cola Company, which owns 30% of the capital stock. The remaining 19% of the shares are quoted on the Bolsa Mexicana de Valores, S.A. de C.V. (BMV: KOFL) and the New York Stock Exchange, Inc. (NYSE: KOF).

Coca-Cola FEMSA and its subsidiaries ("the Company"), as an economic unit, are engaged in the production, distribution and marketing of certain Coca-Cola Trademark beverages in two territories in Mexico and one territory in Argentina. The Valley of Mexico territory includes all of Mexico City and a substantial portion of the state of Mexico. The Southeastern Mexican territory covers the states of Tabasco, Chiapas and contiguous portions of the state of Oaxaca and the southern portion of the state of Veracruz. The Argentine territory includes Buenos Aires City and a substantial portion of the Gran Buenos Aires area.

As part of the expansion program of Coca-Cola FEMSA and its role as one of The Coca-Cola Company's anchor bottlers in Latin America, on June 2, 1998, Coca-Cola FEMSA de Buenos Aires, S.A. and The Coca-Cola Export Corporation (a direct subsidiary of The Coca-Cola Company) signed an agreement to include the territories previously served by Refrescos del Norte, S.A. (RDN) beginning on that date.

Note 1. Basis of Presentation

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in Mexico ("Mexican GAAP") which differ in certain significant respects from accounting principles generally accepted in the United States ("US GAAP") as further explained in Note 22. A reconciliation from Mexican GAAP to US GAAP is included in Note 22.

The consolidated financial statements are stated in millions of Mexican pesos ("PS"). The translations of Mexican pesos into US dollars ("$") are included solely for the convenience of the reader, using the exchange rate as of December 31, 2000 of 9.61 Mexican pesos to one US dollar. Such convenience translations should not be construed as representation that the Mexican peso accounts have been, could have been, or could in the future be, converted into US dollars at this or any other exchange rate.

Note 2. Basis of Consolidation.

The consolidated financial statements include the financial statements of Coca-Cola FEMSA and those of all companies in which it owns directly a majority of the outstanding capital stock and/or exercises control. All intercompany balances and transactions have been eliminated in such consolidation.

The merger of some of Coca-Cola FEMSA´s subsidiaries was approved at an extraordinary stockholders' meeting held on March 7, 2000. The merger became effective on March 31, 2000 and has no effect in the presentation of the consolidated financial statements.

Valley of Mexico:
Industria Embotelladora de México, S.A. de C.V. (1)
Industria Embotelladora del Valle, S.A. de C.V. (1)
Distribuidora de Bebidas Valle de México, S.A. de C.V. (1)
Distribuidora Comercial Dico, S.A. de C.V. (1)
Refrescos y Aguas Nacionales, S.A. de C.V. (1)
Industria Refresquera del Valle, S.A. de C.V. (1)
Propimex, S.A. de C.V.
Dirección y Servicios, S.A. de C.V. (2)
Refrescos y Aguas Minerales, S.A. de C.V.
Administración y Asesoría Integral, S.A. de C.V.
Southeast of Mexico:
Refrescos de Oaxaca, S.A. de C.V. (3)
Embotelladora Sin Rival, S.A. de C.V. (3)
Embotelladora de Soconusco, S.A. de C.V. (3)
Inmuebles del Golfo, S.A. de C.V.
Argentina:
Coca-Cola FEMSA de Buenos Aires, S.A.

(1) Merged at March 31, 2000 with Propimex, S.A. de C.V.
(2) Merged at March 31, 2000 with Refrescos y Aguas Minerales, S.A. de C.V.
(3) Merged at March 31, 2000 with Inmuebles del Golfo, S.A. de C.V.

Note 3. Foreign Subsidiary Incorporation.

The financial statements of foreign subsidiaries are incorporated into the consolidated financial statements in accordance with the Bulletin B-15, "Foreign Currency Transactions and Translation of Financial Statements of Foreign Operations".

The accounting records of foreign subsidiaries are maintained in the currency of the country where they are located. The financial statements of the foreign subsidiaries are restated to the purchasing power of the local currency at the end of the period applying the inflation rate of the country of origin and are subsequently translated into Mexican pesos using the period-end exchange rate for their inclusion in the consolidated financial statements.

The foreign exchange gain or loss generated from the financing obtained to acquire foreign subsidiaries, net of the related tax effect, is included in the cumulative translation adjustment, since the net investment in the foreign subsidiaries is considered to be an economic hedge of such debt. The gain or loss on monetary position resulting from such financing is computed using the inflation rate of the country in which the acquired subsidiary is located, because it is considered to be an integral part of the investment in such subsidiary, and is included in the cumulative translation adjustment.

The goodwill resulting from the acquisition of foreign subsidiaries is maintained in the currency in which the investment was made, since such investment will be recovered in such currency, and is restated applying the inflation factor of the country of origin and using the period-end exchange rate.

Note 4. Significant Accounting Policies.

The Company's accounting policies are in accordance with Mexican GAAP, which require that the Company's management make certain estimates and use certain assumptions to determine the valuation of various items included in

the consolidated financial statements. The Company's management believes that the estimates and assumptions used were appropriate as of the date of these consolidated financial statements.

The significant accounting policies are as follows:

a) Recognition of the Effects of Inflation in the Financial Information:
The recognition of the effects of inflation in the financial information consists of:

1. Restating non-monetary assets such as inventories and fixed assets, including related costs and expenses when such assets are consumed or depreciated.

2. Restating capital stock, additional paid-in capital and retained earnings by the amount necessary to maintain the purchasing power equivalent in Mexican pesos on the dates such capital was contributed or income was generated through the use of factors derived from the National Consumer Price Index ("NCPI").

3. Including in stockholders' equity the cumulative result of holding non-monetary assets, which is the net difference between changes in the replacement cost of non-monetary assets and adjustments based upon NCPI inflation factors.

4. Including in the cost of financing the purchasing power gain or loss from holding monetary items.

The Company restates its income statement using NCPI inflation factors determined from the month in which the transaction occurred to the most recent balance sheet date.

Financial information of the Mexican subsidiaries for prior years was restated using NCPI inflation factors. Financial information for foreign subsidiaries, included in the consolidated financial statements, was restated using the inflation rate of the country in which the foreign subsidiary is located, and then translated at the year-end exchange rate of the Mexican peso. Accordingly, the amounts are comparable with each other and with the preceding periods since all are expressed in the purchasing power of the respective currencies as of the end of the latest year presented.

b) Cash and Cash Equivalents:
Cash consists of non-interest bearing bank deposits. Cash equivalents consist principally of short-term bank deposits and fixed-rate investments with banks and brokerage houses valued at quoted market prices.

c) Inventories and Cost of Sales:
The value of inventories is adjusted to replacement cost, without exceeding market value. Cost of sales is determined principally based on replacement cost at the time of sale.

d) Advances to Suppliers:
The balances are adjusted by applying NCPI inflation factors, considering their average age, and are included in the inventory account.

e) Prepaid Expenses:
These represent payments for services that will be received over the next twelve months. Prepaid expenses are recorded at historical cost and applied in the income statement in the month in which the services or benefits are received. Prepaid expenses consist primarily of advertising, leasing and promotional expenses.

Advertising costs consist of television and radio advertising airtime paid in advance, which are generally amortized over a twelve-month period based on the transmission of the television and radio spots. The related production costs are recognized in the results of operations at the time that the advertising takes place.

Promotional costs are expensed as incurred, except for those promotional costs related to the launching of new products and/or presentations. Those costs are recorded as prepaid expenses and amortized over the period, during which they are estimated to increase sales of the related products and/or presentations to normal operating levels, which is generally one year. As of December 31, 2000 the Company does not record any prepaid expense by launching of new presentation.

f) Property, Plant and Equipment, net:

These assets are initially recorded at their acquisition and/or construction cost. Property, plant and equipment of domestic origin, except bottles and cases (see Note 4 g), are restated by applying NCPI inflation factors. Imported equipment is restated by applying the inflation rate of the country of origin, and then translated at the year-end exchange rate.

Depreciation of property, plant and equipment is computed using the straight-line method based on the value of the assets reduced by their residual values.

Depreciation rates are determined by the Company together with independent appraisers, considering the estimated remaining useful lives of the assets. Depreciation of new property, plant and equipment commences in the year after placement in service.

The annual average depreciation rates of property, plant and equipment are as follows:

	2000	1999
Building and construction	2.2%	2.0%
Machinery and equipment	5.8%	5.0%
Distribution equipment	6.7%	6.6%
Other equipment	14.2%	15.9%

g) Bottles and Cases:

Bottles and cases are recorded at acquisition cost and restated to their replacement cost. The Company classifies bottles and cases as property, plant and equipment.

Depreciation is computed only for tax purposes using the straight-line method at a rate of 10% per year. For financial reporting purposes, breakage is recorded as an expense as it is incurred. The Company estimates that breakage expense is similar to the depreciation calculated based on an estimated useful life of approximately five years for returnable glass bottles and one year for returnable plastic bottles. For the years ended December 31, 2000, 1999 and 1998, breakage expense amounted to Ps. 262,659, Ps. 225,240 and Ps. 166,755, respectively.

Bottles and cases in circulation, which have been placed in the hands of customers, are presented net of deposits received from customers, and the difference between the cost of these assets and the deposits received is amortized according with the useful lives of such assets.

h) Investments in Shares:

The investments in shares of affiliated companies are initially recorded at their acquisition cost and subsequently valued using the equity method (See Note 8). Investments in affiliated companies in which the Company does not have significant influence are recorded at cost and restated based upon NCPI inflation factors.

i) Deferred Charges:

Deferred charges represent payments whose benefits will be received in future years. These consist primarily of:

1) Refrigerators, which are placed in the market in order to showcase and promote the Company's products. These are depreciated over their estimated useful life of three years.

2) Agreements with customers for the right to sell and promote the Company's products during certain periods of time, which are being considered as monetary assets and amortized in accordance with the timing of the receipt by the Company of such benefits, the average term of which is between three and four years.

3) Leasehold improvements, which are restated by applying NCPI factors, considering their average age, and amortized over the term in which the benefits are expected to be received or the term of the related lease, using the straight-line method.

j) Goodwill:

Represents the difference between the price paid over the book value of the shares and/or assets acquired, which is substantially equal to the fair value of such assets. This difference is amortized over a period of no more than 20 years. Goodwill is recorded in the currency used to make the investment and it is restated by applying the inflation rate of the country of origin, then translated at the year-end exchange rate.

k) Payments from The Coca-Cola Company:

The Coca-Cola Company participates in the advertising and promotional programs of the Company. The resources received for advertising and promotional incentives are included as a reduction of selling expenses. The net expense incurred was Ps. 754,108, Ps. 732,072 and Ps. 718,656, during the years ended December 31, 2000, 1999 and 1998, respectively.

In addition, since 1999, The Coca-Cola Company has made payments in connection with the Company's refrigeration equipment investment program. These payments are related to the increase in volume of Coca-Cola products that result from such expenditures, and will be reimbursed if the established conditions in the contracts are not met. These grants are recorded in 'Deferred Charges' net of the investment and are amortized on a straight-line basis over three years.

Prior to 1999, the Coca-Cola Company made payments in connection with Coca-Cola FEMSA's capital expenditure program. Such payments were included in other expenses, net.

l) Labor Liabilities:

Labor liabilities include liabilities for the pension and retirement plan, and seniority premium, based on actuarial calculations by independent actuaries, using the projected unit credit method. These liabilities are considered to be non-monetary, and are restated using NCPI inflation factors, with such restatement presented in stockholders' equity. The increase for the period in labor liabilities is charged to expense in the income statement (see Note 13).

The unamortized prior service costs of the pension and retirement plan, and seniority premium are recorded as expenses in the income statement, and are amortized over the estimated 14-year period during which the employees will receive the benefits of the plan, beginning in 1992.

The subsidiaries of the Company (except Coca-Cola FEMSA Buenos Aires) have established funds for the payment of pension benefits through irrevocable trusts with the employees as beneficiaries.

Severance indemnities are charged to expense on the date that they are paid and restated to year-end Mexican pesos using NCPI inflation factors. The severance payments resulting from the Company's reduction of personnel, as a result of the restructuring of certain areas, is included in other expenses, net. As of December 31, 2000, 1999 and 1998, these amounted to Ps. 44,015, Ps. 37,271 and Ps. 104,166, respectively.

m) Revenues recognition:

Revenues are recognized when the products are boarded or delivered to customers, and they assume product's responsibility.

n) Income Tax, Tax on Assets and Employee Profit Sharing:

The Company determines and records its income tax, tax on assets and employee profit sharing based on the revised Bulletin D-4, "Accounting for Income Tax, Tax on Assets and Employee Profit Sharing", that became effective on January 2000, in accordance with the tax legislation. Deferred tax assets and liabilities are recorded for all temporary differences that arise from the reconciliation between the accounting and tax basis of assets and liabilities.

Deferred income tax and tax on assets are determined using the liability method, which takes into account all temporary differences between the accounting and tax bases of assets and liabilities. Deferred employee profit sharing is calculated considering only those temporary differences that arise from the reconciliation between the accounting income for the period and the bases for employee profit sharing that are expected to turn around within a defined period.

The deferred tax provision for the period to be included in the results of operations is determined by comparing the deferred tax balance at end of the period to the balance at the beginning of the period, excluding from both balances the temporary differences that are recorded directly in stockholders´ equity.

The initial effect of the application of this new bulletin was recorded decreasing in retained earnings in the amount of Ps. 841,795 and the income tax provision increased Ps. 56,195 for the year deferred effect. Also the result of holding non-monetary assets was credited in the amount of Ps. 47,576 because the year effect (see Note 18 d).

Each subsidiary determines and records its taxes as if it had filed separately based on the tax incurred during the year, in accordance with tax legislation. Therefore, the income tax provision reflected in the consolidated financial statements represents the sum of the provision for the subsidiaries and Coca-Cola FEMSA. FEMSA has received authorization from the Secretaría de Hacienda y Crédito Público (the Mexican Ministry of Finance or "SHCP") to prepare its income tax and tax on asset returns on a consolidated basis, which includes the proportional taxable income or loss of its Mexican subsidiaries. Beginning in 1999, estimated tax payments through the parent company were eliminated, and the benefits of tax consolidation are limited to 60% of the stockholders' participation in the subsidiaries. Prior to 1999 the benefits of tax consolidation were 100% of the stockholders participation in the subsidiaries.

o) Integral Cost of Financing:

The integral cost of financing includes:

Interest:
Interest income and expenses are recorded when earned or incurred, respectively.

Foreign Exchange Gains or Losses:
Transactions in foreign currency are recorded in Mexican pesos using the exchange rate applicable on the date they occur. Assets and liabilities in foreign currencies are adjusted to the year-end exchange rate, recording the resulting foreign exchange gain or loss directly in the income statement, except for the foreign exchange gain or loss from financing obtained for the acquisition of foreign subsidiaries that is included in the cumulative translation adjustment (see Note 3).

Gain or (Loss) on Monetary Position:
This is the result of the effects of inflation on monetary items. The gain (loss) on monetary position for Mexican subsidiaries is computed applying the NCPI to the net monetary position at the beginning of each month, excluding the financing contracted for the acquisition of foreign companies (see Note 3). The monthly result is restated in terms of the purchasing power of the Mexican peso at year-end. The gain (loss) on monetary position of foreign subsidiaries is computed by applying the monthly inflation rate of the country in which such subsidiary is located to the net monetary position at the beginning of each month, expressed in such country's local currency, then translating the monthly results into Mexican pesos using the year-end exchange rate.

p) Financial Instruments:

The Company uses derivative financial instruments to manage its interest rates and foreign currency exposures, mainly denominated in dollars.

Gains or losses generated by foreign currency forward contracts are recognized in the income statement as the instruments mature, in foreign exchange gain (loss).

The cost paid to acquire foreign currency call options is recognized as prepaid expense and amortized in the income statement using the straight-line method over the life of the related contracts, in foreign exchange gain (loss).

q) Restatement of Stockholders' Equity:

The objective of this restatement is to present stockholders' equity in terms of the purchasing power of the Mexican peso as of the date of the most recent balance sheet.

r) Cumulative Result of Holding Non-Monetary Assets:

The cumulative result of holding non-monetary assets represents the sum of the differences between book values and restatement values, as determined by applying NCPI inflation factors to non-monetary assets such as inventories and fixed assets, and their effect on the income statement when the assets are consumed or depreciated.

s) Comprehensive Income:

Comprehensive income is comprised of the net income for the period, plus any other items of revenues, expenses, gains and losses, which are recognized directly in stockholders' equity. Such items include the cumulative translation result and the cumulative result of holding non-monetary assets and are presented in the Consolidated Statement of Changes in Stockholders' Equity.

t) Net Income per Share:

This represents the net income corresponding to each share of the Company's capital stock, computed on the basis of the weighted average number of shares outstanding during the year, in conformity with Bulletin B-14, "Income per Share".

Note 5. Accounts Receivable.

		2000		1999
The Coca-Cola Company	Ps.	121,821	Ps.	63,401
Insurance claims		5,597		8,838
Travel advances to employees		-		7,870
Loans to employees		1,782		540
Guarantee deposits		4,262		4,120
Arteva, S.A.		18,632		-
Other		12,254		6,594
	Ps.	164,348	Ps.	91,363

Note 6. Inventories.

		2000		1999
Finished products	Ps.	193,610	Ps.	190,254
Raw materials		160,760		129,249
Spare parts		102,385		159,029
Work in process		5,550		3,177
Advertising and promotional materials		6,422		4,067
Advances to suppliers		35,783		1,038
	Ps.	504,510	Ps.	486,814

Note 7. Prepaid Expenses.

Balance		2000		1999
Advertising	Ps.	38,798	Ps.	31,715
Foreign currency call option cost		13,401		-
Insurance		3,319		2,947
Other		10,331		6,212
	Ps.	65,849	Ps.	40,874

The advertising and promotional expenses for the years are as follows:

Income Statement		2000		1999		1998
Advertising	Ps.	608,419	Ps.	467,081	Ps.	428,206
Promotional expenses		104,154		91,533		71,639

Note 8. Investments in Shares.

Company	Ownership		2000		1999
Coca-Cola FEMSA:					
Industria Envasadora de Querétaro, S.A. de C.V. (“IEQSA”)	**19.60%**	**Ps.**	**72,561**	Ps.	72,532
Coca-Cola FEMSA de Buenos Aires S.A.:					
Complejo Industrial Can, S.A. (“CICAN”)	**48.10%**		**136,687**		129,822
Other	Various		**1,816**		1,872
		Ps.	**211,064**	Ps.	204,226

Note 9. Property, Plant and Equipment, Net.

		2000		1999
Land	**Ps.**	**782,964**	Ps.	724,974
Buildings, machinery and equipment		**8,470,806**		8,903,013
Accumulated depreciation		**(2,787,757)**		(2,769,062)
Construction in progress		**269,194**		261,815
Bottles and cases		**320,132**		343,023
	Ps.	**7,055,339**	Ps.	7,463,763

The Company identified fixed assets consisting mainly of land, buildings and equipment, in accordance with an approved program for the disposal of certain investments, which at December 31, 2000 and 1999, amounted to Ps. 20,525 and Ps. 58,927 (nominal value) respectively. Such assets have been valued at their estimated realizable value, according to applicable independent appraisals. Those fixed assets recorded at their estimated realizable value are considered monetary assets on which a loss on monetary position must be computed and recorded in the results of operations.

Primarily due to its production capacity rationalization program, together with the emphasis on non-returnable package, some subsidiaries of the Company recorded write-offs and adjustments to the assets value, according to the actual economics conditions, for Ps. 205,942 and Ps. 66,979 (nominal value) at December 31, 2000 and 1999, respectively.

Note 10. Deferred Charges, net.

		2000		1999
Agreements with customers of Coca-Cola FEMSA	**Ps.**	**45,985**	Ps.	23,654
Leasehold improvements		**72,695**		25,101
Refrigeration equipment		**260,270**		292,715
Intangible labor asset (See Note 13)		**5,142**		14,519
Prepaid advertising		**43,530**		36,713
Bonus program (See Note 14)		**7,626**		11,368
Yankee bond		**32,043**		37,535
Other		**34,717**		45,240
	Ps.	**502,008**	Ps.	486,845

Note 11. Balances and Transactions with Related Parties, Affiliated and Associated Companies.

The consolidated balance sheet and income statement include the following balances and transactions with related parties and affiliated companies:

Emprex and Subsidiaries:

Balance sheet		2000		1999
Assets (accounts receivable)	**Ps.**	**7,548**	Ps.	11,765
Liabilities (suppliers and other liabilities)		**94,582**		90,405

Income statement		2000		1999		1998
Sales and other revenues	**Ps.**	**80,191**	Ps.	45,954	Ps.	65,023
Purchases of inventories.........................		**562,059**		561,926		1,110,405
Operating expenses		**625,398**		532,187		335,087

The Coca-Cola Company:

Balance sheet		2000		1999
Assets (accounts receivable)	**Ps.**	**121,821**	Ps.	63,401
Liabilities		**185,875**		234,057

Income statement		2000		1999		1998
Purchases of concentrate	**Ps.**	**2,721,336**	Ps.	2,542,424	Ps.	2,582,952
Interest expense...................................		**26,112**		18,706		2,332

Other Associated Companies:

For the years ended December 31, 2000, 1999 and 1998, the subsidiaries received services of other companies where some stockholders have participation:

		2000		1999		1998
Interests:						
Expense	**Ps.**	**30**	Ps.	870	Ps.	44,693
Income		**14,445**		13,984		2,451

Purchases of canned products to:		2000		1999		1998
IEQSA...	**Ps.**	**200,842**	Ps.	242,940	Ps.	294,518
CICAN		**296,103**		339,890		456,600

Note 12. Balances and Transactions in Foreign Currency.

Assets and liabilities denominated in U.S. dollars, excluding those of Coca-Cola FEMSA Buenos Aires, are as follows:

			Thousands of U.S. Dollars					
Balances:		**Applicable Exchange Rate** (1)		**Short -Term**		**Long -Term**		**Total**
December 31, 2000:	**Assets**	**9.6100**	**$**	**19,858**	**$**	**-**	**$**	**19,858**
	Liabilities			**7,975**		**304,847**		**312,822**
December 31, 1999:	Assets	9.4950	$	2,093	$	-	$	2,093
	Liabilities			8,350		301,212		309,562

(1) Mexican Peso per U.S. dollar.

The transactions in foreign currency converted into U.S. dollars, excluding those of Coca-Cola FEMSA Buenos Aires, were as follows:

Income Statement	2000	1999	1998
	Thousands of U.S. Dollars		
Interest income	**$ 208**	$ 213	$ 83
Interest expenses and commissions	**28,428**	31,821	36,189
	$ (28,220)	$ (31,608)	$ (36,106)

As of January 25, 2001, the issue date of these consolidated financial statements, the foreign currency position (unaudited) was similar to that at December 31, 2000, and the exchange rate was 9.6735 Mexican pesos per one U.S. dollar.

Note 13. Labor Liabilities.

The actuarial calculations for the Mexican subsidiaries´ pension and retirement plan, and seniority premium (only for Mexican subsidiaries) and the cost for the year were determined using the following long-term assumptions:

	Real Rates
Annual discount rate	6.00 %
Salary increase	2.00 %
Return on assets	6.00 %

The balances of the liabilities and the trust assets, as well as the expenses for the year are as follows:

	2000	1999
Pension and retirement plans:		
Vested benefit obligation	**Ps. 58,954**	Ps. 46,622
Non-vested benefit obligation	**92,572**	103,053
Accumulated benefit obligation	**151,526**	149,675
Excess of projected benefit obligation over accumulated benefit obligation	**27,315**	29,834
Projected benefit obligation	**178,841**	179,509
Plan assets at fair value	**(38,503)**	(38,392)
Unfunded projected benefit obligation	**140,338**	141,117
Unrecognized net transition obligation services	**(1,029)**	(1,068)
Unrecognized actuarial net gain (loss)	**5,177**	(14,320)
	144,486	125,729
Additional labor liability	**-**	10,388
Total	**Ps. 144,486**	Ps. 136,117

	2000	1999
Seniority premiums:		
Vested benefit obligation	**Ps. 5,173**	Ps. 7,065
Non-vested benefit obligation	**11,109**	12,741
Accumulated benefit obligation	**16,282**	19,806
Excess of projected benefit obligation over accumulated benefit obligation	**1,566**	1,810
Projected benefit obligation	**17,848**	21,616
Unrecognized net transition obligation services	**(2,208)**	(2,369)
Unrecognized net loss	**(4,459)**	(1,004)
	11,181	18,243
Additional labor liability	**5,142**	4,131
Total	**Ps. 16,323**	Ps. 22,374
Total Labor Liabilities	**Ps. 160,809**	Ps. 158,491

Expense for the Period		2000		1999		1998
Pension plan	Ps.	**22,194**	Ps.	18,888	Ps.	18,907
Seniority premium		**4,781**		5,003		4,984
	Ps.	**26,975**	Ps.	23,891	Ps.	23,891

The accumulated actuarial gains and losses were generated by the differences in the assumptions used for the actuarial calculations at the beginning of the year versus the assumptions at the end of the year.

As of December 31, 2000 and 1999, the projected benefit obligation in some subsidiaries was less than the accumulated benefit obligation reduced by the amount of the plan assets at fair value, resulting in an additional liability, which is recorded as an intangible asset included in "Deferred charges, net" (See Note 10).

The trust assets consist of fixed income and variable funds, valued at market. The integral cost of financing includes the interest cost related to labor liabilities, net of the return on assets. This amounted to Ps. 9,600, Ps. 8,815 and Ps. 11,045, for the years ended December 31, 2000, 1999 and 1998, respectively.

Note 14. Bonus Program.

Certain subsidiaries of the Company have implemented a bonus program for the benefit of certain executive officers of such subsidiaries. Under the terms of this program approved in April 1997, the executive officers will be entitled on the fifth anniversary of the program to a cash payment of a special bonus based on the officer's salary and the amount of the increase in real terms in the market value of FEMSA and Coca-Cola FEMSA shares, during the preceding five years, provided that no payments will be made unless the market value of FEMSA and Coca-Cola FEMSA shares (equal parts) have at least doubled in real terms by such fifth anniversary.

In November 1997, the Company hedged its potential obligation under the bonus program by investing in cash-settled options relating to FEMSA shares, and such purchased options were deposited in a trust. The cost of the purchased options has been recorded in "Deferred charges, net" and will be amortized over the two-year term of such options. As of December 31, 2000 and 1999, the unamortized cost of the options amounts to Ps. 7,626 and Ps. 11,368 respectively (see Note 10)

In 1999 the Company hedged the potential risk related with Coca-Cola FEMSA's shares through the purchase of stock options, however this operation did not generated any expense.

The purchased options are "marked to market", and any income derived therefrom is recorded only to the extent that such income exceeds the potential compensation as a function of the special bonuses that would be due based on the stock price at the end of each reporting period. As of the date of these financial statements no income has been recorded.

Additionally, during 1999 the Company established a new compensation plan for certain key executives, which consists of granting an annual bonus over the next five years, in the form of stock or stock options, based on each executives responsibilities within the organization and the executives performance during the previous year. For each key executive, on an annual basis, the net after-tax amount will be transferred to an irrevocable trust, which through the instruction of a technical committee can:

- Acquire stock of FEMSA or of any of its subsidiaries listed on the Mexican Stock Exchange, or acquire American Depositary Receipts (ADRs), representing such stock, quoted on the New York Stock Exchange (NYSE) and/or

- Enter into call options of the stock mentioned above.

The executives will have access to the assigned stock or options in 20% increments in each of the five years following the granting of the bonus.

The annual bonus is recorded in the results of operations of the year. The amounts paid corresponding to 2000 and 1999, were Ps. 23,120 and Ps. 18,433, respectively.

Note 15. Bank Loans and Notes Payable.

Long-term bank loans and notes payable of the Company are as follows (denominated in U.S. dollars, unless otherwise indicated):

Bank	Interest Rate		2000		1999
Fixed interest rate:					
Yankee Bond	8.95 %	**Ps.**	**1,922,000**	Ps.	2,068,202
Private Placement with Citibank, N.A.	9.40 %		**961,000**		1,034,100
Banque Paribas	7.69 %		**13,038**		35,062
GE Capital Leasing.................................	9.44 %		**45,321**		-
			2,941,359		3,137,364
Various	Libor + 2.0		**14,212**		28,217
		Ps.	**2,955,571**	Ps.	3,165,581

Maturities of long-term bank loans as of December 31, 2000 are as follows:

Current maturities of long - term debt	**Ps.**	**19,832**
2002...		**14,473**
2003...		**8,317**
2004...		**969,317**
2005...		**6,251**
2006...		**1,928,251**
2007...		**6,251**
2008...		**2,879**
	Ps.	**2,955,571**

As of December 31, 2000, the Company was in compliance with all restrictions and covenants established in its loan agreements.

Note 16. Fair Value of Financial Instruments.

The carrying amounts and fair values of the Company's financial instruments, where such amounts are not substantially the same, are summarized as follows:

	2000				1999			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
Long-term debt	$	**307,551**	**$**	**316,209**	$	302,835	$	308,193
Cost paid for the call option agreements	$	**1,394**	**$**	**552**	$	-	$	-

The fair value of long-term bank loans and syndicated loans is based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for debt with similar remaining maturities.

The terms of and accounting for the cash-settled options are described in Note 14.

The fair value of the stock options is estimated based on quoted market prices to terminate the contracts at the reporting date. The Company does not anticipate canceling these agreements and expects them to expire as originally contracted.

As of December 31, 2000, the Company had 35 forward contracts to buy and sell U.S. dollars for a total amount of $131,400 and $121,800, respectively, which mature during 2001. The fair value is estimated at $3,800, based on quoted market prices of each agreement at December 31, 2000, assuming the same date of the agreements. Also, the Company had 10 forward contracts to buy $100,000, which mature during 2001 and with a fair market value of $2,700, in order to hedge potential devaluation of the Argentine peso.

Additionally, at December 31, 2000, the Company had 24 option agreements to buy $87,600, which mature during 2001. The fair value of the option agreements is estimated based on quoted market prices of the cost paid for such agreements, considering the same amounts, exchange rates and maturity dates originally contracted.

Note 17. Stockholders' Equity.

At December 31, 2000, the capital stock of the Company was comprised of 1,425 millions common shares without par value and with foreign ownership restrictions. Fixed capital amounts to Ps.633,250 (nominal value) and variable capital may not exceed 10 times the minimum fixed capital stock.

The characteristics of the common shares are as follows:

- Series “A” and series “D” shares are ordinary, have unlimited voting rights, are subject to transfer restrictions, and at all times must represent a minimum of 75% of subscribed capital stock.
- Series “A” shares may only be acquired by Mexican individuals and may not represent less than 51% of the total subscribed capital stock.
- Series “D” shares have open subscription and may not exceed 49% of the ordinary shares.
- Series “L” shares have limited voting and other corporate rights.

In addition, 270,750 thousand series “B” shares and 204,000 thousand series “L” shares have been authorized and issued but not subscribed.
As of December 31, 2000, Coca-Cola FEMSA’s capital stock is comprised as follows:

Series	Number of Shares
A	726,750
D	427,500
L	270,750
Total	1,425,000

The restatement of the stockholders’ equity is allocated to each of the various stockholders’ equity accounts as follows:

		Historical Cost		Restatement		Restated Value
Capital stock	Ps.	**633,250**	Ps.	**1,514,048**	Ps.	**2,147,298**
Additional paid - in capital		**305,505**		**1,205,250**		**1,510,755**
Retained earnings		**2,170,710**		**1,807,685**		**3,978,395**
Net income for the year		**1,242,866**		**49,134**		**1,292,000**

At an ordinary stockholders’ meeting held on March 7, 2000, dividends in the amount of 0.1533 Mexican pesos per share (nominal value) were declared and were paid in July 2000.

The net income of each Mexican subsidiary is subject to a legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of capital stock. This reserve may not be distributed to stockholders during the existence of the subsidiary, except as stock dividends. As of December 31, 2000 the legal reserve for Coca-Cola FEMSA amounts to Ps. 126,550 (nominal value).

Until 1998, retained earnings and other reserves distributed as dividends, as well as reduction of capital, were subject to a 34% income tax charged to Coca-Cola FEMSA when the distribution was not made from net taxable income.

Beginning in 1999, dividends paid to individuals or foreign residents will be subject to income tax withholdings at an effective rate ranging from 7.5% to 7.7%, depending on the year in which earnings were generated. In addition, if earnings for which no corporate tax has been paid are distributed, the tax must be paid upon distribution of the dividends. Consequently, the Company will have to keep a record of earnings subject to each tax rate. As of December 31, 2000 the earnings, which already paid tax, amounts Ps. 889,614.

Note 18. Tax System.

a) **Income Tax:**

Mexican income tax is computed on taxable income, which differs from accounting income principally due to the differences between purchases and cost of sales, the treatment of the integral cost of financing, the relative cost of labor liabilities and depreciation. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the tax inflationary component, which is similar in concept to the gain on monetary position.

Beginning 1999, the tax rate over income is 35%, with the possibility of deferring the payment of the tax approximate a 5% (during 1999 3%) until the dividends of that earnings are paid. The amount as of December 31, 2000 is Ps. 1,510,376.

Coca-Cola FEMSA Buenos Aires calculates its income tax, which differs from accounting income mainly due to the differences in depreciation and labor liability provisions. The Argentine income tax rate increased from 33% to 35% beginning in 1999. During 1998 Coca-Cola FEMSA Buenos Aires fully amortized its tax loss carry-forwards.

b) **Tax on Assets:**

The Mexican tax on assets is computed at an annual rate of 1.8% based on the average of certain assets at a tax-restated value less certain liabilities. The tax on assets is paid only to the extent that it exceeds the income tax for the year. If in the year there is a tax on assets payment, this amount may be credited against any excess of income taxes over the tax on assets of the preceding three years. Additionally, this payment may be restated and credited against the excess of income taxes over asset taxes for the following ten years.

Beginning in 1998, the tax laws in Argentina established a Tax on Minimum Presumptive Income (TMPI) which, similar to the Mexican tax on assets, is paid only to the extent that it exceeds the income taxes for the year. Any required payment of TMPI is recoverable to the extent that the income taxes exceed the TMPI of the following four years.

c) **Employee profit sharing:**

Employee profit sharing is computed at the rate of 10% of the individual taxable income of each of the Mexican subsidiaries, except that depreciation of historical, rather than restated values is used, foreign exchange gains and losses are not included until the asset or liability is due, and other effects of inflation are also excluded.

The present tax law in Argentina does not consider any employee profit sharing.

d) **Deferred Income tax:**

As explained in note 4 n), beginning in 2000, a new accounting principle became effective for the accounting of income and asset taxes, which now requires the recognition of the deferred effects of all temporary differences. As of December 31, 2000 there are no temporary differences for employee profit sharing purposes that require recognition of any deferred effect.

The tax effect of temporary differences that generated deferred tax liabilities (assets) is as follows:

		2000		**Initial Effect**
Inventories	**Ps.**	**118,859**	Ps.	120,541
Property, plant and equipment (1)		**577,267**		586,739
Investments in shares		**43,809**		41,990
Deferred charges		**159,478**		178,318
Pension plan and seniority premium		**(56,283)**		(55,122)
Other reserves		**(54,746)**		(30,671)
	Ps.	**788,384**	Ps.	841,795

(1) Including bottles and cases

	2000	1999	1998
Statutory tax rate	**35.00 %**	35.00 %	34.00 %
Permanent differences:			
Gain from monetary position	**(0.70)**	(7.80)	(5.88)
Inflationary component	**0.50**	7.99	3.06
Non-deducible expenses and other	**3.09**	4.73	14.74
Temporary differences:			
Depreciation	**--**	0.58	(8.06)
Cost of sales vs. Purchases, labor and overhead	**--**	(3.42)	(4.57)
Reserves..	**--**	0.30	2.44
Utilization of tax loss carryforwards...........	**--**	--	(2.28)
Effective tax rate	**37.89 %**	37.38 %	33.45 %

e) **The income tax, tax on assets and employee profit sharing provisions are comprised as follows:**

		2000		1999		1998
Current income tax	**Ps.**	**800,905**	Ps.	686,329	Ps.	402,802
Deferred income tax		**56,165**		-		-
Employee profit sharing		**113,127**		105,149		62,232
	Ps.	**970,197**	Ps.	791,478	Ps.	465,034

Tax loss carryforwards may be applied against taxable income of the 10 years following the year when they are generated, in accordance with the Mexican income tax law.

As of December 31, 2000, the Company does not have unamortized tax loss carryforwards or refundable tax on assets.

Note 19. Contingencies and Guaranties.

The SHCP levied tax assessments against certain subsidiaries of FEMSA with regard to the inflation adjustments of certain tax loss carryforwards. Because each of these cases was resolved in a different manner and in different courts, FEMSA filed an appeal with the Mexican Supreme Court. However, the Mexican Supreme Court ruled against them and the subsidiaries of FEMSA were required to pay Ps. 1,015 for assessments, which are included in other expenses, net, in the accompanying consolidated statement of income.

The SHCP has levied tax assessments against certain subsidiaries of FEMSA alleging that such subsidiaries inappropriately amortized tax loss carryforwards generated prior to 1987 against the taxable income of 1990 through 1993. FEMSA also filed an appeal with the Mexican Supreme Court with respect to such assessments but the court determined an unfavorable outcome of the pending case. Therefore, in December 1999, FEMSA decided to pay such credits in the amount of Ps. 7,155, which are included in other expenses, net.

Note 20. Information by Segment.

Relevant information concerning the subsidiaries of Coca-Cola FEMSA, divided by geographic areas, is presented as follows:

December 2000		Mexico		Buenos Aires (1)		Total
Total revenues	**Ps.**	**13,119,998**	**Ps.**	**3,464,776**	**Ps.**	**16,584,774**
Income from operations (1)		**2,766,641**		**173,698**		**2,940,339**
Interest expenses		**331,070**		**6,160**		**337,230**
Interest income		**119,473**		**16,342**		**135,815**
Income tax		**788,170**		**68,900**		**857,070**
Employee Profit Sharing		**113,127**		**-**		**113,127**
Depreciation and goodwill amortization		**517,423**		**305,138**		**822,561**
Breakage of bottles and cases, amortization and other		**375,747**		**44,118**		**419,865**
Total long - term assets		**6,312,780**		**3,094,212**		**9,406,992**
Total Assets (2)		**8,649,581**		**4,117,605**		**12,767,186**
Total liabilities		**4,554,614**		**735,259**		**5,289,873**
Tax liability (3)		**778,785**		**288,255**		**1,067,040**
Capital expenditures (4)		**792,503**		**102,514**		**895,017**

December 1999		Mexico		Buenos Aires (1)		Total
Total revenues	Ps.	11,402,347	Ps.	3,752,850	Ps.	15,155,197
Income from operations (1)		1,993,423		219,614		2,213,037
Interest expenses		438,587		9,178		447,765
Interest income		45,665		33,299		78,964
Income tax		599,272		87,057		686,329
Employee Profit Sharing		105,149		-		105,149
Depreciation and goodwill amortization		426,667		302,910		729,577
Breakage of bottles and cases, amortization and other		360,528		62,782		423,310
Total long - term assets		6,662,550		3,335,368		9,997,918
Total Assets (2)		7,769,890		4,134,697		11,904,587
Recoverable taxes		1,446		2,217		3,663
Total liabilities		4,470,180		608,157		5,078,337
Tax liability (3)		429,393		123,955		553,348
Capital expenditures (4)		807,792		113,512		921,304

December 1998		Mexico		Buenos Aires (1)		Total
Total revenues	Ps.	10,660,392	Ps.	3,817,022	Ps.	14,477,414
Income from operations (1)		1,693,273		179,613		1,872,886
Interest expenses		530,249		13,699		543,948
Interest income		11,512		10,705		22,217
Income tax		402,802		-		402,802
Employee Profit Sharing		62,232		-		62,232
Depreciation and goodwill amortization		418,658		177,993		596,651
Breakage of bottles and cases, amortization and other		274,144		62,701		336,845
Capital expenditures (4)		1,329,373		191,080		1,520,453

(1) Includes effect of goodwill.
(2) Recoverable taxes and tax liability are not included in total assets and total liabilities.
(3) Includes deferred long-term income tax for 3% (See Note 18)
(4) Includes investment in property, building and equipment as well as deferred charges.

Note 21. Differences Between Mexican GAAP and U.S. GAAP.

The consolidated financial statements of the Company are prepared in accordance with Mexican GAAP, which differs in certain significant respects from U.S. GAAP. A reconciliation of the reported net stockholders' equity and comprehensive income to U.S. GAAP is presented in Note 22.

It should be noted that this reconciliation to U.S. GAAP does not include the reversal of the restatement of the financial statements to recognize the effects of inflation, as required under Bulletin B-10 of Mexican GAAP. The application of Bulletin B-10 represents a comprehensive measure of the effects of price-level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

The principal differences between Mexican GAAP and U.S. GAAP that affect the consolidated financial statements of the Company are described below:

a) Restatement of Prior Year Financial Statements:

As explained in Note 4 a), in accordance with Mexican GAAP, the financial information for foreign subsidiaries of prior years was restated using the inflation rate of the country in which the foreign subsidiary is located, then translated to Mexican pesos at the year-end exchange rate.

Under US GAAP, the prior period financial information for foreign subsidiaries must be restated in constant units of the reporting currency. In this case, the Mexican peso, which requires the restatement of such prior-period, amounts using NCPI inflation factors.

Additionally, all other US GAAP adjustments that require restatement have been determined based upon US GAAP methodology.

b) Deferred Promotional Expenses:

As explained in Note 4 e), for Mexican GAAP purposes the promotional costs related to the launching of new products or presentations are recorded as prepaid expenses. For U.S. GAAP purposes, all promotional costs are expensed as incurred.

c) Restatement of Imported Machinery and Equipment:

As explained in Note 4 a), in accordance with Mexican GAAP, imported machinery and equipment has been restated by applying the inflation rate of the country of origin, then translated at the year-end exchange rate of the Mexican peso.

In accordance with US GAAP, all machinery and equipment, both domestic and imported has been restated using NCPI inflation factors.

d) Capitalization of Interest Expense:

Under Mexican GAAP, the capitalization of the integral cost of financing (interest, foreign exchange and monetary position) generated by loan agreements obtained to finance investment projects is optional. The Company does not capitalize the integral result of financing.

In accordance with US GAAP, if interest is incurred during the construction of qualifying assets, capitalization is required as part of the cost of such assets.

Accordingly, a reconciling item for the capitalization of a portion of the integral cost of financing is included in the US GAAP reconciliation of the net income and stockholders' equity. If the borrowings are denominated in US dollars, the weighted-average interest rate on all such outstanding debt is applied to the balance of construction-in-progress to determine the amount to be capitalized. If the borrowings are denominated in Mexican pesos, the amount of capitalizable interest determined as noted above is reduced by the gain on monetary position associated with the debt. In no event may any exchange losses associated with foreign currency denominated debt be capitalized under US GAAP.

e) Cost of Foreign Currency Forward Contracts

Under Mexican GAAP the cost of foreign currency forward contracts are recognized as expense at the maturity date of such contracts.

Under US GAAP, the difference between the spot exchange rate and the forward exchange rate at the date of the inception is considered a premium on a forward contract. This premium is amortized under the straight-line method over the life of the forward contract.

f) Deferred Income Taxes and Employee Profit Sharing:

The Company follows SFAS No. 109, "Accounting for Income Taxes", for U.S. GAAP reconciliation purposes, the objective of which is to recognize deferred tax liabilities and assets for the future tax consequences of all temporary differences between the book and tax bases of assets and liabilities. As explained in note 4 n), beginning in 2000, under Mexican GAAP a new accounting principle became effective for the accounting for income and asset taxes and employee profit sharing. The new Mexican accounting standard differs from US GAAP as follows:

- Under Mexican GAAP the deferred taxes are classified as non-current, while under US GAAP are based on the classification of the related asset or liability.

- Under Mexican GAAP the deferred tax provision of the period to be included in the results of operations is determined by comparing the deferred tax balance at end of the period to the balance at the beginning of the period, excluding from both balances the temporary differences that are registered directly in stockholders´ equity. Under US GAAP the deferred tax provision is determined by deducting the deferred tax balance at the beginning of the period, from the balance of deferred taxes at the end of the period.

- Under Mexican GAAP the effects of inflation on the deferred tax liability generated by monetary items are recognized in the result on monetary position. Under US GAAP the deferred tax liability is classified as a non-monetary item, therefore the effects of inflation are recognized in the same account in the income statement and no gain on monetary position is generated.

- Under Mexican GAAP deferred employee profit sharing is calculated considering only those temporary differences that arise during the period and which are expected to turn around within a defined period, while under US GAAP the same liability method as used for deferred income taxes is applied.

Additionally, the restatement of imported machinery and equipment and the capitalization of financing costs under Mexican GAAP have a different treatment than under US GAAP (see Notes 21 c and d). As a consequence, the related deferred income tax presented under Mexican GAAP is different than the effect calculated under US GAAP (see Note 18 d).

The tax effect of temporary differences that generated deferred tax liabilities (assets) under SFAS No. 109 are as follows:

Deferred Income Taxes		**2000**		**1999**
Current:				
Other reserves	**Ps.**	**(54,746)**	Ps.	(32,619)
Inventories		**118,859**		121,480
Non-current:				
Fixed assets		**723,794**		704,686
Investments in shares		**43,809**		44,326
Deferred charges		**159,478**		190,182
Pension plan		**(50,570)**		(43,156)
Seniority premiums		**(5,713)**		(6,385)
Deferred income tax under US GAAP		**934,911**		978,514
Deferred income tax under Mexican GAAP		**(788,384)**		-
Additional deferred income tax under US GAAP	**Ps.**	**146,527**	Ps.	978,514

Deferred Employee Profit Sharing		2000		1999
Current:				
Other reserves	**Ps.**	**(4,350)**	Ps.	(1,634)
Inventories		**33,960**		34,440
Non-current:				
Fixed assets		**172,420**		233,934
Deferred charges		**15,432**		19,781
Pension plan		**(11,852)**		(9,422)
Seniority premiums		**(1,633)**		(1,824)
	Ps.	**203,977**	Ps.	275,275

g) Cost of Pension Plan and Other Employee Benefits:

Under Mexican GAAP, the liabilities for employee benefits are determined using actuarial computations, in accordance with Bulletin D-3, "Labor Obligations", which is substantially the same as US GAAP's SFAS No. 87, "Employers' Accounting for Pensions". The effect of the initial application of both bulletins generates a difference in the unamortized prior service costs and in the amortization expense.

Under Mexican GAAP and US GAAP there is no difference in the liabilities for seniority premiums.

The Company prepared a study of pension costs under U.S. GAAP based on actuarial calculations, using the same assumptions used under Mexican GAAP (see Note 13).

The net pension cost and the funded status of the pension plan under SFAS No. 87 are as follows:

Net pension cost:		2000		1999		1998
Service cost	**Ps.**	**13,270**	Ps.	11,052	Ps.	7,825
Interest cost		**10,696**		9,725		11,518
Actual return on plan assets		**(2,438)**		(2,738)		(2,271)
Net amortization and deferral		**1,036**		6,300		874
Net pension cost (U.S. GAAP)		**22,564**		24,339		17,946
Net pension cost recorded (Mexican GAAP)		**22,194**		19,010		19,408
Additional (income) expense that must be recognized under U.S. GAAP	**Ps.**	**370**	Ps.	5,329	Ps.	(1,462)

Pension liability		2000		1999
Projected benefit obligation	**Ps.**	**178,841**	Ps.	181,387
Plan assets at fair value		**(38,503)**		(38,392)
Unfunded projected benefit obligation		**140,338**		142,995
Unrecognized net transition obligation		**(5,262)**		(4,677)
Unrecognized net gain (loss)		**5,771**		(14,104)
Total unfunded accrued pension liability under U.S. GAAP		**140,847**		124,214
Total unfunded accrued pension liability under Mexican GAAP		**(144,486)**		(127,854)
Liability that must be canceled under U.S. GAAP	**Ps.**	**(3,639)**	Ps.	(3,640)

The changes during the year in the projected benefit obligation of the pension plan as well as the changes in the plan assets at market value for the years ended December 31, 2000 and 1999 are as follows:

Change in Projected Benefit Obligation		2000		1999
Obligation at the beginning of the year	**Ps.**	**181,387**	Ps.	164,563
Service cost		**13,270**		11,052
Interest cost		**10,696**		9,725
Actuarial loss		**(21,699)**		(106)
Benefits paid		**(4,813)**		(3,847)
Obligation at the end of the year	**Ps.**	**178,841**	Ps.	181,387

Change in Plan Assets at Fair Value		2000		1999
Balance at the beginning of the year	**Ps.**	**38,392**	Ps.	37,390
Actual return on plan assets in real terms		**2,438**		2,738
Actuarial gain		**2.486**		2,111
Benefits paid.		**(4,813)**		(3,847)
Balance at the end of the year	**Ps.**	**38,503**	Ps.	38,392

Under Mexican GAAP and U.S. GAAP there is no difference in the liabilities for seniority premiums.

h) SFAS No. 105:

With respect to SFAS No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk", the Company's accounts receivable, which represent receivables from numerous retail customers, and the Company's cash balances do not represent any significant concentration of risk to the Company.

i) Impairment of Long-Lived Assets:

Under U.S. GAAP, an impairment has occurred when the total amount of potential future cash flows that may be reasonably expected to be obtained through the use of the asset during its remaining useful life, reduced by the operating costs and expenses associated with such cash flows, is less than the carrying amount of the asset.

The impairment of a long-lived asset that must be charged to the income statement is that amount by which the carrying amount of the asset restated to current year-end Mexican pesos exceeds its fair value, which is defined in SFAS-121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of".

j) Comprehensive Income:

The Company under Mexican GAAP is in compliance with the disclosures required by SFAS No. 130 under US GAAP. In the note 22 c) a reconciliation of comprehensive income under Mexican GAAP to US GAAP is presented. The variation in the comprehensive income is generated by the adjustment to net income (Note 22 a) and result of holding non-monetary assets to reconcile to US GAAP.

k) Statement of Cash Flows:

Under Mexican GAAP, the Company presents a consolidated statement of changes in financial position in accordance with Bulletin B-12, which identifies the generation and application of resources as representing differences between beginning and ending financial statement balances in constant Mexican pesos. Bulletin B-12 also requires that monetary and unrealized foreign exchange gains and losses be treated as cash items in the determination of resources generated by operations.

U.S. GAAP SFAS No. 95 requires presentation of a statement of cash flows.

The following presents a reconciliation of the resources generated by (used in) operating, investing and financing activities under Mexican GAAP to the resources generated by (used in) such activities under U.S. GAAP:

		2000		1999		1998
Resources generated by operations under Mexican GAAP	**Ps.**	**2,501,059**	Ps.	2,886,828	Ps.	1,595,842
Inflationary effects		**136,076**		(6,282)		(129,165)
Foreign exchange loss (gain)		**342,698**		36,292		120,160
Loss on retirements of property, plant and equipment		**5,034**		22,217		178,616
Resources generated by operations under U.S. GAAP	**Ps.**	**2,984,867**	Ps.	2,939,055	Ps.	1,765,453

Resources used in investing activities under Mexican GAAP	**Ps.**	**(895,017)**	Ps.	(921,304)	Ps.	(1,520,453)
Loss on retirements of property, plant and equipment		**(5,034)**		(22,217)		(178,616)
Inflationary effects		**-**		(9,586)		(59,809)
Resources used in investing activities under U.S. GAAP	**Ps.**	**(900,051)**	Ps.	(953,107)	Ps.	(1,758,878)

Resources (used in) generated by financing activities under Mexican GAAP	**Ps.**	**(267,139)**	Ps.	(1,576,585)	Ps.	(143,543)
Inflationary effects		**(136,076)**		23,820		178,114
Foreign exchange loss (gain)		**(342,698)**		(36,292)		(120,160)
Resources (used in) generated by financing activities under U.S. GAAP	**Ps.**	**(745,913)**	Ps.	(1,589,057)	Ps.	(85,589)

Supplementary cash flow information		**2000**		**1999**		**1998**
Interest expenses	**Ps.**	**185,963**	Ps.	349,013	Ps.	453,282
Income Tax and Tax on assets paid		**1,247,721**		483,237		403,008

l) Condensed Financial Information under U.S. GAAP

The following represent the condensed consolidated income statements and balance sheets, including all of the reconciling items described in Note 22:

Income Statement		**2000**		**1999**		**1998**
Total revenues	**Ps.**	**16,584,774**	Ps.	15,473,206	Ps.	15,577,085
Income from operations		**2,856,359**		2,110,048		1,839,104
Income before income tax		**2,259,618**		1,757,604		1,208,342
Income taxes		**861,133**		691,079		646,785
Approximate net income under U.S. GAAP		**1,398,485**		1,066,524		561,557
Cumulative translation adjustment		**91,169**		411,857		(105,405)
Result of holding nonmonetary assets		**(98,401)**		(334,351)		(62,849)
Comprehensive Income under U.S. GAAP	**Ps.**	**1,391,253**	Ps.	1,144,030	Ps.	393,303

Balance Sheet		2000		1999
Current assets	**Ps.**	**3,360,194**	Ps.	1,969,917
Fixed assets		**7,476,943**		7,943,710
Other assets		**2,351,653**		2,599,495
Total assets		**13,188,790**		12,513,122
Current liabilities		**2,375,394**		2,399,900
Long-term liabilities		**2,998,409**		4,546,331
Other liabilities		**1,329,974**		57,330
Total liabilities		**6,703,777**		7,003,561
Stockholders' equity		**6,485,013**		5,509,561
Total liabilities and stockholders' equity	**Ps.**	**13,188,790**	Ps.	12,513,122

Statements of Changes in Stockholders' Equity under U.S. GAAP:		2000		1999
Approximate stockholders' equity under U.S. GAAP as of the beginning of the year	**Ps.**	**5,509,561**	Ps.	5,028,085
Dividends paid		**(235,929)**		(190,831)
Cumulative translation adjustment		**(179,872)**		(474,021)
Result of holding nonmonetary assets		**(7,232)**		79,804
Approximate net income under U.S. GAAP		**1,398,485**		1,066,524
Approximate stockholders' equity under U.S. GAAP as of the end of the year	**Ps.**	**6,485,013**	Ps.	5,509,561

Other components of Comprehensive income		2000		1999
Cumulative translation adjustment	**Ps.**	**1,034,174**	Ps.	908,338
Result of holding nonmonetary assets		**(2,938,200)**		(2,974,111)
		(1,904,026)		(2,065,773)

Note 22. Reconciliation of Mexican GAAP to U.S. GAAP.

a) Reconciliation of Net Income:

		2000		1999		1998
Net income under Mexican GAAP	**Ps.**	**1,292,000**	Ps.	1,044,379	Ps.	739,169
Approximate U.S. GAAP adjustments:						
Restatement of prior year financial statements (Note 21 a)		**-**		19,395		53,563
Deferred promotional expenses (Note 21 b)		**-**		-		(1,050)
Restatement of machinery and equipment (Note 21 c)		**(23,030)**		(14,686)		2,312
(Uncapitalization) capitalization of interest expense (Note 21 d)		**645**		23,259		44,849
Gain on monetary position resulting from U.S. GAAP adjustments		**82,046**		125,551		173,235
Deferred income taxes (Note 21 f)		**(4,062)**		(101,976)		(375,504)
Deferred employee profit sharing (Note 21 f)		**51,256**		(24,069)		(76,479)
Pension plan cost (Note 21 g)		**(370)**		(5,329)		1,462
Total adjustments		**106,485**		22,145		(177,612)
Approximate net income under U.S. GAAP	**Ps.**	**1,398,485**	Ps.	1,066,524	Ps.	561,557
Weighted average common shares outstanding		**1,425,000**		1,425,000		1,425,000
Approximate net income per share under U.S. GAAP	**Ps.**	**0.98**	Ps.	0.75	Ps.	0.39

Under US GAAP, the monetary position effect of the income statement adjustments is included in each adjustment, except for the capitalization of integral cost of financing and pension plan liabilities that are non-monetary.

b) Reconciliation of Stockholders' Equity:

		2000		1999
Stockholders' equity under Mexican GAAP.......................................	**Ps.**	**6,410,273**	Ps.	6,276,565
Approximate U.S. GAAP adjustments:				
Restatement of prior year financial statements (Note 21 a)...........		**-**		179,872
Restatement of machinery and equipment (Note 21 c)..................		**363,588**		239,757
Capitalization of interest expense (Note 21 d)		**58,017**		63,516
Deferred income taxes (Note 21 f)..		**(146,527)**		(978,514)
Deferred employee profit sharing (Note 21 f)...............................		**(203,977)**		(275,275)
Accumulated pension plan liability (Note 21 g)............................		**3,639**		3,640
Total adjustments..		**74,740**		(767,004)
Approximate stockholders' equity under U.S. GAAP	**Ps.**	**6,485,013**	Ps.	5,509,561

c) Reconciliation of Comprehensive Income:

		2000		1999		1998
Comprehensive income under Mexican GAAP	**Ps.**	**1,211,432**	Ps.	923,603	Ps.	1,171,596
Approximate adjustments for US GAAP:						
Net income (loss) (Note 22 a)...................................		**106,485**		22,145		(177,612)
Result of holding non-monetary assets		**73,336**		198,282		(600,681)
Approximate comprehensive income under US GAAP	**Ps.**	**1,391,253**	Ps.	1,144,030	Ps.	393,303

Note 23. Future Impact of Recently Issued Accounting Standards.

In December 1999, the Mexican Institute of Public Accountants issued Bulletin C-2, "Financial Instruments", which will be mandatory for all Mexican companies in 2001. Bulletin C-2 requires an enterprise to recognize all of its contractual rights or obligations under derivatives in its balance sheet as assets or liabilities and to measure those instruments at their fair value. Changes in the fair value of a derivative will be included in current earnings, regardless of their nature.

In June 1998, the financial accounting standards board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which goes into effect in 2001 for US GAAP purposes. This new standard will also require recognition of all derivatives on the balance sheet as either assets or liabilities and the measurement of such instruments at their fair value. Changes in the fair value of the derivatives are recognized in earnings, unless specific hedge accounting criteria is met. Gains and losses on derivative hedging instruments must be recorded in either other comprehensive income or current earnings, depending on the nature of the instrument.

The Company currently has contracted certain financial instruments and determines their fair value as described in Note 16. The impact on the consolidated financial statements if the Company had applied the guidelines of Bulletin C-2 and SFAS 133 beginning in 2000, would have been to recognize a liability in the amount of Ps. 37,376 and a reduction in net income. As of the date of the consolidated financial statements the Company has not determined the total impact of SFAS 133. However, the Company anticipates that the impact will be similar to that computed under Bulletin C-2. The Company continues to analyze all the outstanding contracts to determine if they include any implied derivative that must be evaluated under SFAS 133.

SIGNATURE

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

Dated: June 20, 2001

COCA-COLA FEMSA, S.A. de C.V.

By: /s/ HÉCTOR TREVIÑO GUTIÉRREZ
Héctor Treviño Gutiérrez