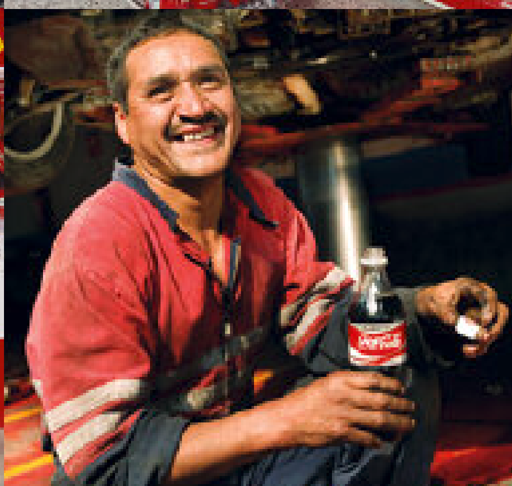
Multiplying the Power...

COCA-COLA FEMSA 2005 ANNUAL REPORT



...of our Portfolio

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Today we are one of the most profitable Coca-Cola bottlers in the world. The secret to our success is our people's ability to multiply the power of our portfolio by providing our customers and consumers with the right beverage, in the right package, in the right place, at the right time — every time.

Selected financial data

Millions of Constant Mexican Pesos and U.S. dollars as of December 31, 2005
(except volume and per share data)

	U.S. $ 2005[1]	Ps. 2005	Ps. 2004	% Change
Sales Volume (million unit cases)		1,889	1,812	4.3%
Total Revenues	4,724	50,198	47,786	5.0%
Operating Income	818	8,683	7,987	8.7%
Majority Net Income[2]	432	4,586	5,580	-17.8%
Total Assets	6,319	67,147	69,618	-3.5%
Long-Term Bank Loans	1,475	15,673	22,475	-30.3%
Majority Stockholders Equity	3,268	34,728	31,155	11.5%
Capital Expenditures	194	2,064	1,850	11.6%
Book Value per Share[3]	17.69	18.80	16.87	11.5%
Net Income per Share[4]	2.34	2.48	3.02	-17.8%

(1) U.S. dollar amounts are translated from Mexican pesos using the noon day buying rate for Mexican pesos published by the Federal Reserve Bank of New York on December 31, 2005, which exchange rate was Ps. 10.6275 to U.S. $ 1.00.

(2) Excluding non-recurring tax effects that increased net income in 2004 and decreased net income in the beginning of 2005, our majority net income would have increased 13.8%.

(3) Based on 1,847 million outstanding ordinary shares as of December 31, 2005 (184.7 million ADRs). U.S. $ figures per ADR.

(4) Based on 1,846 million weighted average shares outstanding (184.6 million ADRs) for 2004. U.S. $ figures per ADR.

Coca-Cola Femsa's presence

Delivering on the challenge

Over the past three years, we have faced a number of important challenges—from the integration of eight new franchise territories to a more complex marketplace environment. And we have delivered.

This year we produced strong results, despite high raw-material costs across most of our operations. Our people were able to tailor our portfolio of products and packages, as well as our business processes, to take advantage of the positive macroeconomic environment in the majority of our markets. As a result, our total sales volume grew to almost 1.9 billion cases, up 4.3 percent from last year, including 3.6 percent growth in our consolidated carbonated soft-drink volumes. Our consolidated revenues rose to Ps. 50.2 billion, up 5.0 percent. Our consolidated operating income improved to Ps. 8.7 billion, up 8.7 percent. And our majority net income declined 17.8 percent to Ps. 4.6 billion, due to a one-time tax reimbursement in 2004 and a one-time tax payment in 2005, resulting in earnings per share of Ps. 2.48. Excluding these non-recurring events, our majority net income would have grown 13.8%, resulting in earnings per share of Ps. 2.54. We have also successfully reduced our debt by close to U.S. $ 1.0 billion over the past three years—an average reduction of U.S. $ 30 million per month—reflecting our strong cash-flow generation.

A Portfolio of Choice

We have deployed a diversified portfolio of products and packages that not only addresses local market dynamics, but also stimulates consumer demand.

In Mexico, we have employed a three-pronged portfolio strategy over the past three years to manage successfully a more competitive carbonated soft-drink environment. First, we have built a wider and more segmented packaging portfolio to foster the growth of brand *Coca-Cola*, which accounted for the majority of our incremental carbonated soft-drink volumes in Mexico this year. Second, we have leveraged the strong brand equity of our core flavored soft-drink brands and rolled out regional line extensions, such as *Mundet* and *Fanta* in traditional Mexican flavors, to participate in the growth and profitability of the local flavored carbonated soft-drink industry. Third, we have strengthened our position in the premium carbonated soft-drink segment—introducing an array of light brands under our *Spacio Leve* commercial strategy—and better prepared our operation to capture the potential growth of profitable single-serve consumption, given the stable macroeconomic environment expected for 2006. Additionally, we have introduced a new line of non-carbonated products to capture the upside potential of this dynamic beverage category.

In Central America, our wider and more segmented product portfolio has enabled us to strengthen our market position and weather a tougher competitive environment—particularly in Costa Rica and Nicaragua. The growth of our non-carbonated beverages, including our still-water and *PowerAde* brands, has made this category an increasingly important part of our regional product mix.

A Clear Process for Profitability

Our multi-segmentation strategy—a step beyond revenue management—lays the foundation for our profitable and sustainable growth across our market territories. With the right model in place, our people are transforming Brazil into one of the brightest spots in our market portfolio. Our better segmentation and execution at the point of sale, our expansion of the traditional mom-and-pop distribution channel, our ability to curb transshipments, and our growing base of returnable multi-serve packages are enabling our Brazilian operation to deliver double-digit top and bottom-line growth and reach record levels of profitability.

Similarly, our clear three-year strategy has enabled us to turn around the performance of our Colombian operation. In year one, we focused on streamlining and consolidating our operating system, paying particular attention to our employee relationships. In year two, we concentrated on putting the right tools in place to revitalize brand *Coca-Cola*. And this year, with our nationwide launch of *Crush Multi-flavors*, we have strengthened our competitive position and fostered demand in the flavored soft-drink category. At the same time, we have maintained the growth of brand *Coca-Cola* by connecting with a growing base of young consumers. As a result, we have increased our sales volume in Colombia by 7.5 percent year over year.

Additionally, our refined multi-segmentation model is enabling us to achieve top and bottom-line growth in Argentina and Mexico. In Argentina, we are not only increasing consumption of our premium carbonated soft-drink brands and our core brands in returnable presentations, but also improving our operating income despite a difficult cost environment. And in Mexico, our more sophisticated multi-segmentation strategy represents a major leap forward in our revenue-management capacity. With our implementation of this more dynamic model, we are able to define and manage multiple price-and-package clusters—which we will use to elevate the popularity and profitability of our beverages in the market.

Consolidated CSD Per-Capita Consumption

Our People Make It Possible

We are very proud of our people, for they are ultimately responsible for our company's success. So we continue to prepare, train, and empower them to meet the challenges of an evolving industry and marketplace environment.

Our people's passion, dedication, and teamwork are best exemplified by their capacity to overcome challenging market environments. In Venezuela, the devaluation of the Bolivar, high raw-material costs, and industry-wide wage increases placed significant pressure on our performance. Nonetheless, our people—led by a stronger senior-management team—transformed a tough year into a transition year for Venezuela, posting growth in revenues and gross income of 5.6% and 1.7%, respectively.

Over the past three years, our people have also surmounted considerable obstacles—including flagging consumption of *Coca-Cola* trademark beverages and poor go-to-market execution—to turn around our operations in Colombia and Brazil. Thanks to their efforts, our operating income from Colombia and Brazil has risen by 16.4 percent and 72.2 percent, respectively, year over year.

Beginning in February 2006, we have agreed to reassume the sales and distribution responsibilities for Kaiser—the Brazilian brewer recently acquired by FEMSA—in our Brazilian market territories. We will leverage the execution capabilities and client skills that we have perfected the past three years to compete prudently and rationally in the country's beer industry.

Today, more than ever, our geographic diversification, along with our initial incursion into other beverage categories, offers various and ample opportunities for us to create value for you. Our balanced market position—among countries with different industry cycles and seasons—helps us to generate even stronger and more stable cash flow.

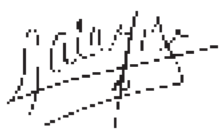
The last three years we have become a more experienced multinational corporation, with an unmatched knowledge of local market dynamics across Latin America's beverage industry. This competitive edge should further our ability to explore attractive acquisition opportunities and continue our company's profitable growth.

In closing, we would like to express our deep appreciation for the continued trust and confidence that you place in us. By multiplying the power of our product portfolio, we look forward to extending our superior track record of performance for you.

Consolidated *Coca-Cola* Brand Incremental Sales Volume (MUC)

José Antonio Fernández Carbajal

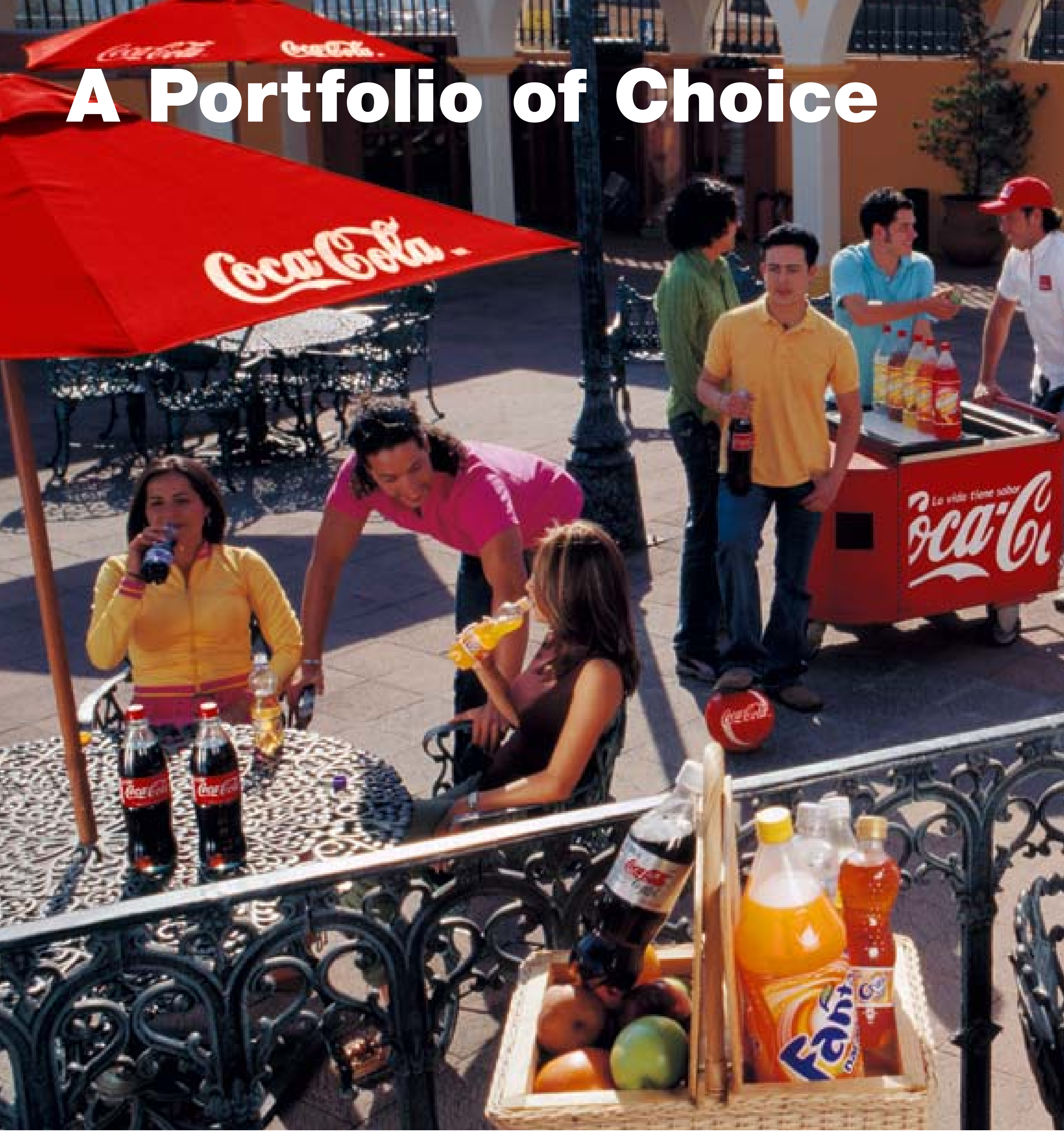
Chairman of the Board



Carlos Salazar Lomelín

Chief Executive Officer

A Portfolio of Choice



We sell one out of every 11 Coca-Cola products sold around the globe. Our refreshing portfolio of brands includes *Coca-Cola, Coca-Cola Light, Chinotto, Crush Multi-flavors, Ciel, Ciel Aquarius, Crystal, Dasani, Fanta, Fanta Multi-flavors, Fresca, Frescolita, Grapette, Hi-C, Hit, Kist, Kuat, Lift, Manantial, Minute Maid, Mundet, Nestea, Nevada, PowerAde, Quatro, Sprite, Sprite Zero, and Taí*. An option for everyone.

Leveraging our knowledge of local market dynamics

Our goal is to provide people with what they want to drink on every occasion. So we use our knowledge of local market dynamics to design a mix of products and presentations that satisfies consumers' thirst—at any point in their lives.

In Mexico, our balanced portfolio of more than 340 SKU's fueled profitable volume growth, despite a complex industry landscape. Supported by our segmented offering of more than 13 different presentations at multiple prices—our volume of brand *Coca-Cola* rose to 619 million unit cases in 2005. We also rolled out an aggressive pipeline of 20 new carbonated and non-carbonated beverages across our Mexican territories. Among our innovative array of carbonated beverages, we introduced *Fanta Free, Fresca One, Manzana Lift Ligera, Nestea Light,* and *Sprite Zero* under the *Spacio Leve* light soft-drink family. We further launched an expanded portfolio of non-carbonated products, including *Ciel Aquarius*, a zero-calorie flavored water brand, and *Minute Maid*, our first incursion in the Mexican juice-based product market.

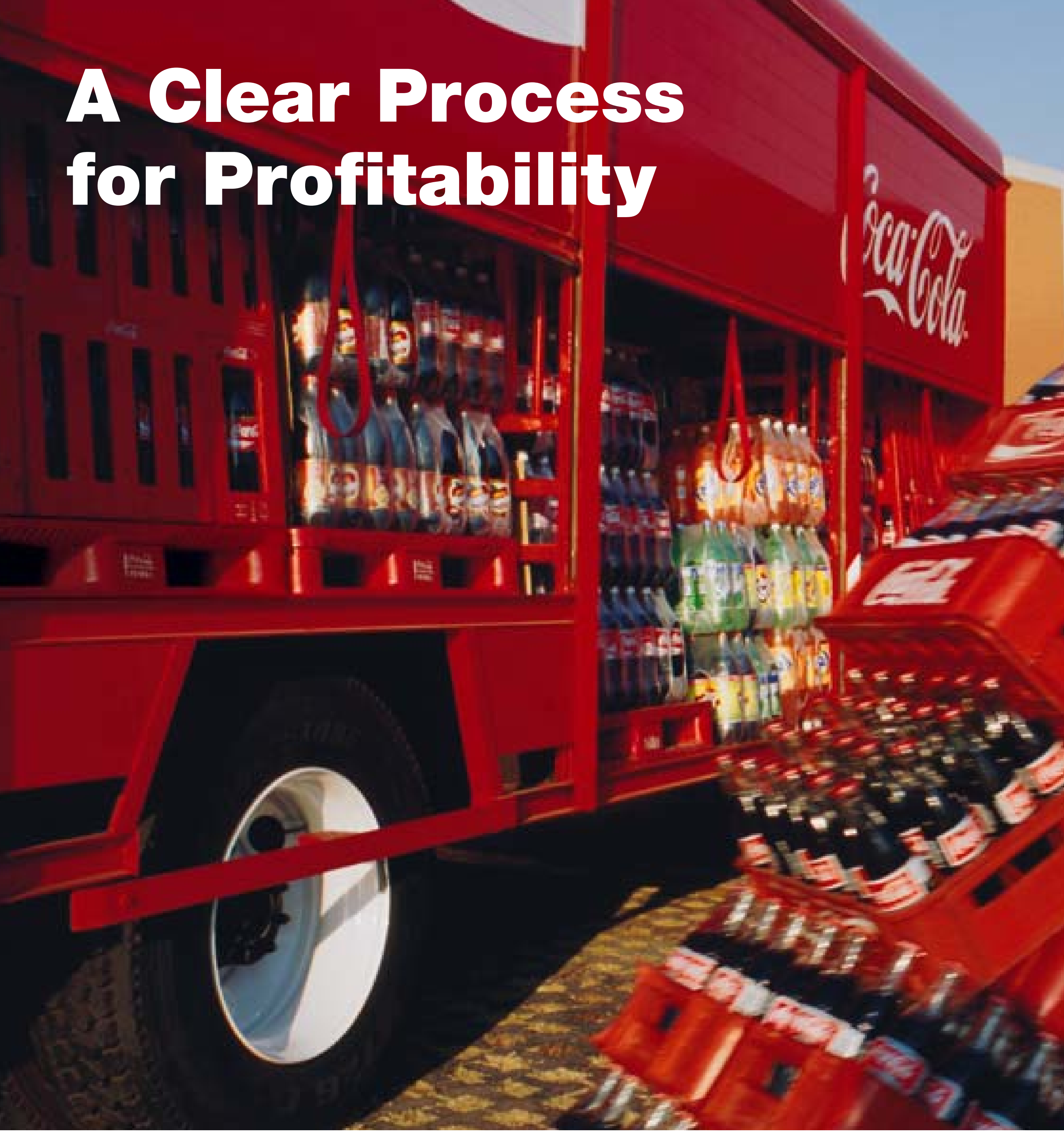
In Central America, to counter the entrance of low-price brands, we complemented our portfolio with new value-protection products and presentations, such as *Frescolita* and a 2.5-liter presentation of *Coca-Cola*. Additionally, non-carbonated beverages, such as our still-water and PowerAde brands, have grown into an increasingly important part of our regional sales mix.

Multi-flavored results

In Colombia, the outlook for our flavored soft-drink portfolio has improved considerably with our nationwide launch of *Crush Multi-flavors*. Since the beginning of 2005, we have rolled out *Crush* in several flavors and presentations, including our 600-milliliter and 1.25-liter non-returnable presentations and our 12-ounce returnable presentation. This launch has enabled us to leverage our redesigned go-to-market process, enhance our competitive position, and reinvigorate demand in a vibrant beverage segment—*Crush* alone accounted for the majority of our Colombian operation's incremental volume growth in 2005. With a national flavored brand, we are well-positioned to leverage our other regional flavored brands under a coordinated segmentation strategy.

Flavored CSD Sales Volume (MUC)

A Clear Process for Profitability



We serve more than 64 beverage brands through a network of over 1.5 million points of sale to more than 181 million consumers across nine countries in Latin America. No small feat...

Executing a multi-segmentation strategy

There are no average consumers, customers, or competitors. So we understand their differences and capture the value of their common characteristics. In Mexico, we recently rolled out a more sophisticated multi-segmentation strategy. Its design is based on distinct market clusters—categorized by competitive intensity and socio-economic levels—rather than solely the types of distribution channels. With this model, we expect to achieve greater market growth and profitability, despite the country's competitive environment.

The cornerstone of our multi-segmentation strategy is our market intelligence system. Through our right-execution-daily system (RED), we collect and analyze the knowledge required to tailor our product, package, price, and distribution strategies to fit our consumers' different needs. By providing the data required to target specific consumer segments and channels, this system is key to our success in our major markets.

Our RED system enabled us to take advantage of Argentina's positive market dynamics to drive the consumption of brand *Coca-Cola*, as well as our premium flavored brands, and reduce the contribution of our value-protection brands. It also helped us to grow the volume of our returnable presentations to more than 26% of our packaging mix for 2005. Returnable presentations develop brand loyalty, because the purchase decision is made prior to visiting the point of sale.

We also tailor the way we go to market in our market territories. In Mexico, we are restructuring our sales force to focus on different market clusters and reconfiguring our distribution system to leverage our volume and improve cost efficiency by geographic region.

A key turning point

Our multi-segmentation strategy is enabling us to increase the per-capita consumption of our soft drinks across our market territories—putting us on a path of sustainable value growth. Over the past three years, our consolidated carbonated soft-drink volume has climbed 7.5 percent to 1.6 billion unit cases. Importantly, we have translated that growth into improving bottom-line results. For example, our transformed business model in Colombia has enabled us to post year-over-year revenue and operating income growth of 9.4 percent and 16.4 percent, respectively. Similarly, our better packaging segmentation in Mexico has allowed us to capture more profitable sales volume, increasing our operating income by 5.4 percent year-over-year.

Colombia CSD Sales Volume

Our People Make It Possible

Over the past three years, our people have spearheaded a corporate evolution—transforming KOF from a Mexican leader, with volumes of 628 million unit cases, to the second-largest Coca-Cola bottler in the world, with volumes of 1,889 million unit cases.


600ml
Coca-Cola

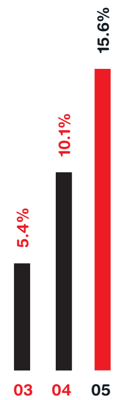
Fostering teamwork, knowledge-sharing, and new ideas

Our people are ultimately responsible for our ability to stimulate and satisfy our consumers' thirst. To share our knowledge and replicate our best practices, we devote more than 350,000 hours a year to our training and cross-fertilization programs. Through our training-cells program, we exchange our best people among our multinational operations, and we enable those operations to learn by doing. For example, when we entered the Brazilian market, our pre-sale conversion rate was 50%, or close to five in 10 sales visits; today our pre-sale conversion rate is almost 90%, or roughly nine in 10 sales visits. Moreover, we have increased our customer visits, up to 50 clients per day from 30 per day two years ago.

It's remarkable the value that you can create when you enable your people to share their ideas. Year after year, people from different functional areas get together and identify ways to push our productivity, enhance our efficiency, and build value for our stakeholders. Among our people's recent value-added initiatives is our project to increase the lifespan of certain products and our family day in Sao Paulo, Brazil—in which the city's mayor and members of the community came together to celebrate the value of families.

A turnaround story

Our people's passion, dedication, and teamwork are exemplified by their continuing ability to surmount difficult market conditions. In Venezuela, they managed to produce sales and gross-income growth in a year marked by the Bolivar's devaluation, high raw-material costs, and industry-wide wage increases. Moreover, they completely turned around our Brazilian operation, using their shared intelligence to implement revenue-management strategies, gain control over the pre-sale process, develop direct relationships with a growing base of customers, and dramatically improve our competitive position. Consequently, our Brazilian operation generated operating income of almost U.S. $ 85 million for 2005, up 72.2% from a year ago.



Brazilian Operating Income Margin

Social responsibility

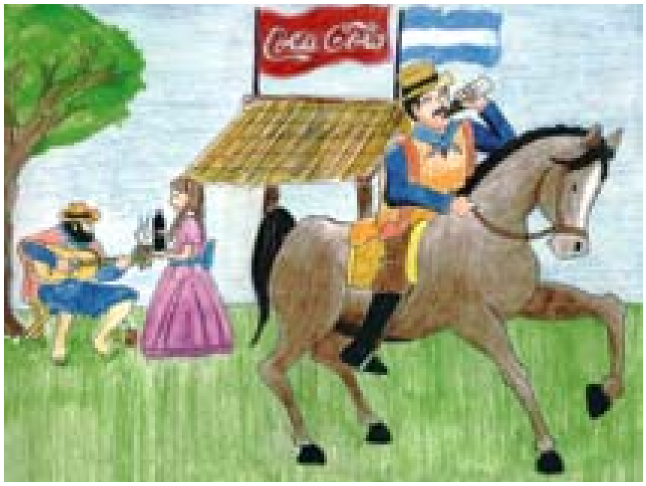
Moving Toward Sustainability

As a member of the Coca-Cola bottling system, we are committed to the sustainable growth of our business, our employees, and our communities. To this end, we continually strive to conserve, recover, and reuse our natural resources more extensively.

In partnership with The Coca-Cola Company and ALPLA, a manufacturer of PET bottles, we have begun operations at one of the largest PET recycling plants in the world. Located in Toluca, Mexico, this plant collected and recycled the equivalent of approximately 40.7 million PET bottles in 2005. In Costa Rica, we have also put in place a recycling program—called Planet Mission—to collect and recycle non-returnable PET bottles. Looking forward, our goal is to either replicate or adapt this program for some of our other market territories.

Water is a shared resource that we all must use responsibly. It is not only the main ingredient in all of our beverages, but also an important product category. So we use this critical natural resource efficiently. In 2005 our efforts enabled us to save over 1.3 million cubic meters of water across our market territories—or the average annual consumption of more than 16,000 households.

Working together with local organizations and institutions, we support or participate in a number of initiatives designed to improve the quality of life and to enhance individual opportunity within the communities we serve. For example, through the Banco de Alimentos program, we collect and distribute monetary or in-kind donations of food among our poorer communities. Through the "value of words" initiative in Colombia, we provide economic support to programs that aim to enhance children's reading skills. And through The Coca-Cola Foundation in Mexico, our employees donations foster several programs, which benefit our less-advantaged neighbors.

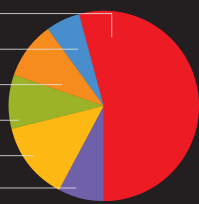


Priceless artwork: Winners from the Annual Painting Contest among our employees' children

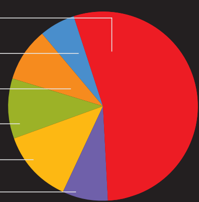
2005 Coca-Cola Femsa operating highlights

Operations	Population (Millions)	CSDs Per-Capita Consumption	Retailers (Thousands)	Plants	Distribution Facilities
Mexico	50.3	389	585.2	12	106
Central America	18.8	131	134.3	4	35
Colombia	44.8	85	368.7	6	37
Venezuela	26.6	135	228.9	4	33
Brazil	29.8	187	115.6	3	12
Argentina	11.1	316	79.6	1	5
Total	181.4	212	1,512.3	30	228

2005 Total Volume	(MUC)	As a %
Mexico	1,025	54.3
Central America	109	5.8
Colombia	180	9.5
Venezuela	173	9.2
Brazil	252	13.3
Argentina	150	7.9
Total	1,889	

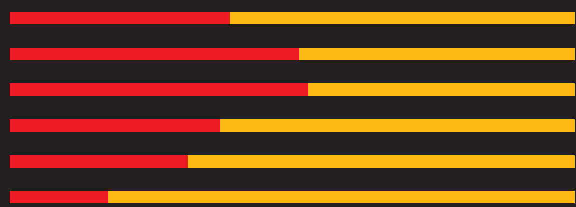


2004 Total Volume	(MUC)	As a %
Mexico	990	54.6
Central America	110	6.1
Colombia	167	9.2
Venezuela	173	9.6
Brazil	228	12.6
Argentina	144	7.9
Total	1,812	

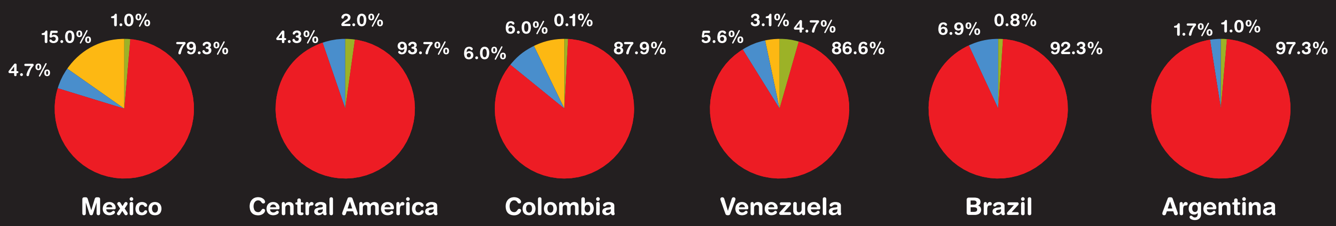


Product Mix by Package[1]	■ Returnable	■ Non-Ret[2]
Mexico	31.3%	68.7%
Central America	41.9%	58.1%
Colombia	49.2%	50.8%
Venezuela	25.4%	74.6%
Brazil	8.0%	92.0%
Argentina	25.9%	74.1%

Product Mix by Size[1]	■ Personal[2]	■ Multi-Serving[3]
Mexico	38.9%	61.1%
Central America	51.2%	48.8%
Colombia	52.8%	47.2%
Venezuela	37.2%	62.8%
Brazil	31.5%	68.5%
Argentina	17.4%	82.6%



Product Mix by Category ■ CSD ■ Water[4] ■ Jug Water ■ Others



(1) Excludes water presentations of 3.5 Lt. or larger.
(2) Includes fountain volumes.
(3) Includes packaging presentations of 1.0 Lt. or larger.
(4) Includes water presentations of less than 3.5 Lt.

Considerable opportunities ahead

Dear Shareholders:

We achieved another solid year of growth. Our performance again displayed the advantages of our balanced, geographically diversified portfolio of assets. More than 90 percent of our operations produced top-line growth for 2005—with our Mexican and Brazilian operations accounting for over 75 percent of our incremental volume and over 80 percent of our operating income growth this year. In 2005 we produced the following overall results:

- Consolidated sales volumes rose 4.3 percent to almost 1.9 billion unit cases.
- Total revenues grew 5.0 percent to Ps. 50.2 billion.
- Consolidated operating income increased 8.7 percent to Ps. 8.7 billion, and operating margin improved 60 basis points to 17.3 percent.
- Consolidated majority net income declined 17.8 percent to Ps. 4.6 billion, due to a one-time tax reimbursement in 2004 and a one-time tax payment in 2005, resulting in earnings per share of Ps. 2.48 (U.S. $ 2.34 per ADR). Excluding these events, majority net income would have increased 13.8%.
- Total net debt at year end was approximately U.S. $ 1.7 billion.

During the year, we reduced our debt by approximately U.S. $ 257 million. Since our acquisition of Panamco in May 2003, we have successfully lowered our debt by close to U.S. $ 1.0 billion. At the end of 2005, our cash position was approximately U.S. $ 184 million dollars.

Our financial strength is reflected in our company's investment-grade credit ratings. Based on our leading market position throughout Latin America, our strong cash generating capacity, and our remarkable record of debt reduction, in 2005 Moody's Investors Service upgraded our foreign currency rating to A3 from Baa2, and Fitch Ratings upgraded our foreign and local currency ratings to A- from BBB+.

We continue to maintain a strong balance sheet and a well-balanced capital structure. More than 65 percent of our total debt is denominated in local currency, mostly Mexican pesos, and almost 95 percent of our total debt carries a fixed rate of interest.

Today we do not face debt refinancing or foreign-exchange exposure risk, and we are well-protected from the current rising interest-rate environment. We are also working to comply fully with all applicable rules and regulations, including those enacted under the U.S. Sarbanes Oxley Act, by the end of 2006.

Our multi-segmentation strategy has enabled us to increase the per-capita consumption of our brands in most of our territories in a sustainable way. And we have demonstrated our capability to develop a sophisticated portfolio of products and presentations successfully.

The marketing strategies that we have developed in Mexico the past three years produced profitable and sustainable growth for 2005. Our carbonated soft-drink sales volumes grew 2.5 percent for the year, with brand *Coca-Cola* and its line extensions accounting for 75 percent of this growth and flavored soft drinks representing the remainder. In the flavored soft-drink segment, we reinforced our product portfolio with our strong reintroduction of *Mundet* and *Fanta Multi-flavors*—regional brands that currently comprise a relatively small part of our portfolio. And in the cola segment, more than 60 percent of brand *Coca-Cola*'s growth came from our more profitable single-serve presentations.

In Central America, our 7 percent increase in bottled water and non-carbonated beverage volumes was more than offset by our operations' 2.1 percent decline in carbonated soft-drink sales. To strengthen our position in a more competitive market environment and to provide our customers with more affordable alternatives, we complemented our existing carbonated soft-drink portfolio with new value-protection presentations and products.

Our improved execution—coupled with our cost-cutting initiatives and shared-services program—enabled us to maintain our profitability in Central America, despite a tougher competitive landscape. The shared-services program, which we have implemented over the past two years, has helped us to streamline our regional cost structure and centralize such functions as accounting, administration, and human resources.

In Colombia, we posted strong volume growth of 7.5 percent this year, including 9.3 percent growth from our carbonated soft-drink portfolio. The strategies that we have implemented over the past three years to capture new consumers, along with the country's economic improvement, fueled our notable top-line growth in 2005. Driven by the incremental volume of our non-returnable plastic presentations, this growth more than offsets higher raw-material and packaging costs, enabling us to achieve a 16.3 percent gain in operating income for the year.

This was a year of transition for our Venezuelan operations. Our team's top-line growth—led by brand *Coca-Cola*—could not compensate for higher raw-material costs, industry-wide wage increases, and the devaluation of the Bolivar. So in 2005 we assigned one of our most experienced operators to lead our Venezuelan operations. With a stronger management team, a leaner, more flexible organizational structure, and a more focused product portfolio, we believe that we are better positioned to capture Venezuela's growth opportunities.

Market Capitalization (U.S. $ Billion)

In Argentina, our operations' volume growth in the core and premium brand segments drove growth of 7.0 percent and 3.4 percent in total revenues and operating income this year. Indeed, our strong volume growth in the premium carbonated soft-drink segment more than compensated for an 8.7 percent decline in our value-protection brands. Moreover, our non-carbonated beverage volumes—including our recently launched *Cepita* brand, flavored water and juice products—continued to grow, representing more than 10 percent of our operations' incremental sales volume in 2005.

Our Brazilian operations continued to outperform this year, with impressive sales and operating income growth of 12 percent and 72 percent, respectively, in 2005. For the year, our Brazilian operations represented almost 50 percent of our company's incremental profitability and played an increasingly important role in our overall results, accounting for more than 10 percent of our consolidated operating income.

Looking ahead, we will continually evaluate and perfect the way we go to market; we aim to tailor our product, packaging, and pricing strategies, so we can capture the most value from each of our market territories. Simultaneously, we will continue to evaluate prudent and profitable acquisition prospects in the Latin American beverage industry.

Thank you for your continued support. We see considerable opportunities to provide you with an attractive return on your investment now and into the future.

Héctor Treviño Gutiérrez

Chief Financial and Administrative Officer

Financial section

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Seven-Year Summary

Millions of constant Mexican Pesos (Ps.) as of December 31, 2005, except income per share

	2005	2004	2003[1]	2002	2001	2000	1999
INCOME STATEMENT							
Total revenues	50,198	47,786	39,062	20,303	19,331	18,550	16,596
Cost of sales	25,486	24,351	19,614	9,445	8,982	9,032	8,644
Gross profit	24,712	23,435	19,448	10,858	10,349	9,518	7,952
Operating expenses[2]	16,029	15,448	12,109	5,789	5,825	5,886	5,250
Intangible amortization	-	-	-	44	118	126	137
Income from operations	8,683	7,987	7,339	5,025	4,406	3,506	2,565
Integral cost of financing	1,136	833	2,676	(616)	135	669	389
Other expenses, net	281	408	281	671	99	119	80
Income taxes and employee profit sharing	2,562	1,142	1,843	2,078	1,642	1,168	934
Net income for the year	4,704	5,604	2,539	2,892	2,530	1,550	1,162
Majority net income	4,586	5,580	2,520	2,892	2,530	1,550	1,162
Minority net income	118	24	19	–	–	–	–
RATIOS TO REVENUES (%)							
Gross margin (profit/net sales)	49.6	49.4	50.3	53.9	53.9	51.5	48.1
Operating margin	17.4	16.8	19.0	24.8	22.8	18.9	15.5
Net income	9.4	11.8	6.6	14.2	13.1	8.4	7.0
CASH FLOW							
Gross cash flow (EBITDA)[2]	11,210	10,395	9,168	6,184	5,648	4,929	3,839
Capital expenditures[3]	2,012	2,009	2,164	1,533	941	1,053	1,579
BALANCE SHEET							
Current assets	7,422	9,178	9,111	9,094	6,930	3,560	1,950
Property, plant and equipment, net	18,555	19,588	19,823	8,090	7,674	8,008	8,462
Investments in shares	441	444	568	144	162	179	175
Deferred tax and other assets, net	3,050	3,025	1,529	962	616	521	487
Intangible assets, net	37,680	37,383	36,652	292	1,060	1,788	2,026
Total Assets	67,148	69,618	67,683	18,582	16,442	14,056	13,100
Liabilities							
Short-term bank loans	4,428	3,389	3,237	11	16	19	32
Long-term bank loans and notes payable	15,673	22,447	28,420	3,583	3,333	3,658	3,897
Interest payable	326	324	408	81	76	83	90
Operating current liabilities	7,094	7,444	6,972	2,835	2,739	2,301	2,606
Other long-term liabilities	4,900	4,859	3,455	1,557	1,398	1,237	294
Total Liabilities	32,421	38,463	42,492	8,067	7,562	7,298	6,919
Stockholders' Equity	34,727	31,155	25,191	10,515	8,880	6,758	6,181
Majority interest	33,768	30,415	25,011	10,515	8,880	6,758	6,181
Minority interest	959	740	180	-	-	-	-
FINANCIAL RATIOS (%)							
Current	0.63	0.85	0.86	3.11	2.45	1.48	0.72
Leverage	0.93	1.23	1.69	0.77	0.85	1.08	1.12
Capitalization	0.40	0.42	0.59	0.25	0.27	0.35	0.39
Coverage	5.16	4.45	6.47	67.45	93.35	19.27	8.08
DATA PER SHARE[4]							
Book Value	18.287	15.922	13.546	7.379	6.231	4.743	4.338
Majority net income	2.484	3.022	1.479	2.029	1.775	1.087	0.815
Dividends paid[5]	0.344	0.302	-	0.464	0.252	0.206	0.167
Headcount[6]	55,635	56,238	56,871	14,457	14,542	15,054	15,273

(1) Information considers full-year of KOF's original territories and eight months of territories acquired from Panamco.
(2) Income from operations plus non-cash charges.
(3) Includes investments in property, plant and equipment, returnable bottles and cases and other assets, net of retirements of property, plant and equipment.
(4) Based on 1,425 million shares until 2002, 2003 was computed using 1,846.4 million shares and the net income per share with 1,704.3 million and 2004 and 2005 using 1,846.5 million.
(5) Dividends paid during the year based on the prior year's net income.
(6) Includes third-party headcount.

Consolidated Results

Total Revenues

Consolidated total revenues grew 5.0% to Ps. 50,198 million in 2005, compared to Ps. 47,786 million in 2004. The majority of the growth came from Mexico, Brazil and Colombia, accounting for 43%, 26% and 17%, of the total incremental revenues, respectively.

Consolidated sales volume reached 1,889.2 million unit cases in 2005 compared to 1,812.1 million unit cases in 2004, an increase of 4.3%. Carbonated soft drinks volume grew 3.6% as a result of sales volume increases in all of our territories other than Venezuela and Central America. Carbonated soft drinks volume growth was mainly driven by the *Coca-Cola* brand, which accounted for over 50% of incremental volume. A strong marketing campaign, combined with our multi-segmentation strategies contributed to this growth.

Consolidated average price per unit case increased 0.8% from Ps. 26.18 in 2004 to Ps. 26.38 in 2005, driven by average price increases in all our territories, except Central America. Price increases implemented during the year, mainly in Venezuela, Colombia and Argentina, combined with a better packaging and product mix in Mexico and Brazil, resulted in higher average prices per unit case.

Other Operating Revenues

Other operating revenues increased 4.1% to Ps. 358 million in 2005, from Ps. 344 million in 2004. Other operating revenues growth was mainly driven by sales to SalesKO in Mexico, a joint venture among all of the Coca-Cola bottlers in Mexico. Through this company we offer in the same platform a more complete portfolio of non-carbonated beverages to the supermarket channel.

Gross Profit

Our gross profit increased 5.4% to Ps. 24,712 million in 2005, compared with the previous year. Brazil and Mexico accounted for over 90% of this growth. Gross margin improved 20 basis points as a result of higher average prices per unit case in all of our territories, except Central America, and relatively stable average costs per unit case on a consolidated basis. Lower sweetener costs in Mexico and Colombia, combined with the appreciation of local currencies in the majority of our territories applied to our U.S. dollar-denominated costs, more than compensated for polyethylene terephtalate ("PET") resin price increases.

Operating Expenses

Consolidated operating expenses as a percentage of total sales declined from 32.3% in 2004 to 31.9% in 2005 due to higher fixed-cost absorption driven by incremental volumes and higher average price per unit case. During 2005, operating expenses in absolute terms increased 3.8% year over year mainly as a result of (i) the implementation of value-creation initiatives, including more efficient ways to reconfigure our distribution network to support new multi-segmentation strategies by socioeconomic areas and competition intensity and the implementation of revenue management strategies, (ii) salary increases ahead of inflation in some of the countries in which we operate, and (iii) higher operating expenses due to increases in maintenance expenses and freight costs in some territories.

Income from Operations

Our consolidated operating income increased 8.7% to Ps. 8,683 million in 2005, compared with 2004. Growth in Mexico, Brazil and Colombia more than compensated for an operating income decline in Venezuela. Our overall operating margin improved 60 basis points to 17.3% during 2005.

Integral Cost of Financing

The term "integral cost of financing" refers to the combined financial effects of net interest expense or interest income, net foreign exchange gains or losses, and 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 local currencies. A foreign exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the local currency between the date the liability is incurred or the beginning of the period, whichever comes first, and the date it is repaid or the end of the period, whichever comes first, as the appreciation of the foreign currency results in an increase in the amount of local currency, 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 local inflation on monetary assets and liabilities.

In 2005 we reported a loss in integral result of financing of Ps. 1,136 million, an increase of 36.4% compared to 2004. Lower gains in our monetary position, as a result of the combined effect of a decline in our monetary liabilities and a lower Mexican inflation rate as applied to these monetary liabilities, more than offset a decline in interest expense and a foreign exchange gain derived from the appreciation of the Mexican peso against the U.S. dollar, as applied to our U.S. dollar-denominated debt.

Other Expenses

Other expenses decreased to Ps. 281 million in 2005 from Ps. 408 million in 2004. During 2004, we incurred restructuring expenses resulting from the integration of our non-Mexican operations.

Income Taxes and Employee Profit Sharing

Income taxes and employee profit sharing increased to Ps. 2,562 million in 2005 from Ps. 1,142 million in 2004. Our consolidated effective income tax and employee profit sharing rate increased from 16.9% in 2004, to 35.3% in 2005, mainly due to a one-time benefit in the amount of Ps. 1,266 million, derived from a gain from a tax lawsuit in 2004, net of interests and adjustments from a change in tax deduction criteria on coolers in Mexico, and a one-time positive impact for Ps. 178 million, derived from a reduction in deferred tax liabilities in Mexico in 2004, resulting from a reduction in the Mexican income tax rate going forward.

Net Income

Our consolidated majority net income was Ps. 4,586 million during 2005, a decrease of 17.8% compared to 2004, due to above mentioned non-recurring events that increased net income during 2004, and a one-time effect that decreased net income in the first quarter of 2005[1]. Earnings per share ("EPS") were Ps. 2.48 (US$ 2.34 per ADR)[2] computed on the basis of 1,846.5 million shares outstanding (each ADR represents 10 local shares). Excluding these non-recurring effects, majority net income would have increased 13.8% in 2005.

Balance Sheet

As of December 31, 2005, Coca-Cola FEMSA had a cash balance of Ps. 1,958 million (US$ 184 million), a decrease of Ps. 1,824 million (US$ 172 million) compared with December 31, 2004, as a result of cash used to reduce debt levels.

Total short-term debt as December 31, 2005, was Ps. 4,428 million (U.S. $ 417 million) and long-term debt was Ps. 15,673 million (U.S. $ 1,475 million). During 2005, the effective net debt reduction was Ps. 2,731 million (U.S. $ 257 million). Gross debt payments amounted to Ps. 4,556 million (U.S. $ 429 million), and our cash balance was reduced by Ps. 1,824 million (U.S. $ 172 million).

The weighted average cost of debt for the year was 8.81%. The following chart sets forth the Company's debt profile by currency and interest rate type as of December 31, 2005:

Currency	% Total Debt[2]	% Interest Rate Floating[2]
U.S. dollars	33%	9%
Mexican pesos	56%	0%
Colombian pesos	8%	23%
Other [1]	3%	28%

(1) Includes the equivalent to US$ 36.3 million denominated in Venezuelan bolivars, U.S. $ 25.8 million denominated in Argentine pesos, and US$ 2.2 million denominated in Guatemalan quetzales.
(2) After giving effect to cross-currency swaps.

(1) At the beginning of 2005, the tax authorities reviewed the payments in connection with the change in criteria that requieres refrigerators to be treated as fixed assets with finite useful lives, which resulted in an additional one-time payment in Mexico in the amount of Ps. 121 million.
(2) U.S. dollar amounts are translated using the noon day buying rate for Mexican pesos published by the Federal Reserve Bank of New York at December 31, 2005, which exchange rate was Ps. 10.6275 to U.S. $ 1.00.

Consolidated Results of Operations by Territory

Mexico

Total Revenues

Total revenues in Mexico were Ps. 28,705 million in 2005, compared to Ps. 27,647 million in 2004, an increase of 3.5% mainly driven by the 3.5% sales volume growth. Average price per unit case remained relatively stable at Ps. 27.77 in 2005, compared to Ps. 27.72 for 2004. Carbonated soft drinks average price per unit case was Ps. 32.10 during 2005, remaining almost flat as compared to 2004.

Total sales volume reached 1,025 million unit cases in 2005, an increase of 3.5% compared to 2004, driven by (i) 2.4% sales volume growth of the carbonated soft drinks segment, accounting for more than 56% of the incremental volumes of the year, (ii) strong volume growth in the still water category, and (iii) strong volume growth in the non-carbonated beverages segment. Carbonated soft drinks volume growth was mainly driven by incremental volumes of the *Coca-Cola* brand in single serve presentations, which contributed to more than 50% percent of total carbonated soft drinks incremental volumes.

Income from Operations

Gross profit totaled Ps. 15,310 million, representing a gross margin of 53.3% in 2005, an increase of 50 basis points as compared to 2004, mainly due to higher average prices per unit case. Lower sweetener costs, derived from lower sugar prices and the usage of high fructose corn syrup, combined with the appreciation of the Mexican peso against the U.S. dollar, applied to our U.S. dollar-denominated costs, more than offset higher PET resin prices during the year, resulting in a slight improvement in average cost per unit case. Our operating income in 2005 reached Ps. 6,123 million, resulting in a 21.3% operating margin compared to a 21.0% in 2004, as a result of higher fixed-cost absorption driven by higher revenues.

Central America

Total Revenues

Total revenues in Central America were Ps. 3,428 million in 2005, a decline of 2.5% as compared to 2004, driven by lower average price per unit case, which accounted for 70% of the revenue decline, and a decrease in sales volume comprised the balance. Average price per unit case decreased 2.5% to Ps. 30.95, mainly as a result of a more competitive environment in the majority of the region, driven by the entrance of low-price producers of carbonated soft drinks.

Total sales volume was 109.4 million unit cases in 2005, a 1.1% decrease as compared to the previous year as a result of lower volumes in Nicaragua and Guatemala. Carbonated soft drinks volume decline more than offset strong volume growth of 20.7% in non-carbonated beverages, including bottled water.

Income from Operations

Gross profit totaled Ps. 1,643 million in 2005, a reduction of 3.0% as compared to 2004, mainly driven by lower revenues. Higher PET resin prices and sweetener costs combined with a packaging mix shift towards non-returnable presentations more than offset savings from cost cutting initiatives throughout the region, resulting in a margin decline of 30 basis points to 47.9% in 2005. Operating income reached Ps. 468 million in 2005, posting an operating income margin of 13.6%, an improvement of 160 basis points as compared to 2004, driven by savings achieved through better distribution practices and from our shared services program implemented throughout the region in 2004.

Colombia

Total Revenues

Total revenues in Colombia reached Ps. 4,697 million in 2005, an increase of 9.4% as compared to 2004. Over 80% of revenue growth was driven by incremental volume, and higher average price per unit case represented the balance. Average price per unit case reached Ps. 26.14, for the year compared to Ps. 25.70 posted in 2004, recording an increase of 1.7% as a consequence of price increases implemented during the year, and the appreciation of the Colombian peso against the U.S. dollar in 2005, as applied to the net revenues in Mexican pesos under Mexican GAAP.

Total sales volume was 179.7 million unit cases in 2005, an increase of 7.5% as compared to 2004, mainly driven by 33% volume growth in our flavored carbonated soft drinks, which more than offset still water volume decline. Still water volumes declined as a result of a packaging-rationalization strategy, to reduce the production of still water sold in less profitable presentations.

The growth of flavored carbonated soft drinks volume was generated by our successful introduction of brand *Crush* in different flavors in the market, which reached more than 10% of our total sales volume in 2005. Volume decline in returnable multi-serve presentations was more than offset by volume growth in our 1.25 liter non-returnable PET presentation for the *Crush* brand and the 2.5-liter PET non-returnable presentation for the *Coca-Cola* brand. Combined with a packaging mx shift towards non-returnable presentations, more than offset cost cutting initiatives throughout the region, resulting in a margin decline of 30 basis points to 47.9% in 2005.

Income from Operations

Gross profit totaled Ps. 2,119 million in 2005, an increase of 6.2% as compared to 2004, resulting in a gross margin of 45.1% for the year as compared to 46.5% in 2004. Packaging mix shift towards non returnable PET presentations, which accounted for 48% of our total sales in 2005, compared with 43% in the previous year, combined with higher PET resin prices, more than offset savings achieved from the consolidation of our manufacturing network and the appreciation of the Colombian peso against the U.S. dollar, applied to our U.S. dollar-denominated costs. Operating income totaled Ps. 532 million, an increase of 16.4%, reaching an operating margin of 11.3%, an improvement of 60 basis points as compared to 2004, driven by higher fixed cost absorption due to higher revenues.

Venezuela

Total Revenues

Total revenues in Venezuela increased by 5.6% to Ps. 4,946 million in 2005, as compared to Ps. 4,683 million in 2004, driven by higher average price per unit case. Average price per unit case increased by 5.5% to Ps. 28.59 in 2005 as compared to 2004, as a result of price increases implemented during the year.

Total sales volume was 172.5 million unit cases in 2005, almost flat as compared to 2004. Flavored carbonated soft drinks and non-carbonated drinks decline was offset by volume growth of the *Coca-Cola* brand and of still water volume.

Income from Operations

Gross profit totaled Ps. 1,994 million in 2005, representing a gross margin of 40.3% as compared to 41.9% in 2004 a decrease of 160 basis points. This decline was a result of higher raw material prices, the devaluation of the Venezuelan bolivar and a shift in packaging mix towards non-returnable presentations, which grew as a percentage of our total sales volume to 72.2% from 66.5% in 2004. Operating income totaled Ps. 233 million in 2005, resulting in an operating margin of 4.7% as compared to 7.8% in 2004. Operating expenses increased 10.5% in 2005 due to salary increases implemented during the year and higher maintenance costs.

Argentina

Total Revenues

Total revenues in Argentina reached Ps. 2,798 million, a 7.0% increase as compared to 2004, driven by the combination of better average price per unit case and volume growth, each contributing to approximately half of this growth. Average price per unit case during 2005 grew 4.0% to Ps. 17.97 from Ps. 17.28 in the previous year, as a result of (i) a positive product shift mix towards single-serve presentations from our core and premium brands, which carry higher average price per unit case, (ii) incremental volume from our carbonated soft drink premium and core segments, the strong performance of our non-carbonated portfolio and (iv) price increases implemented during the year.

Total sales volume reached 150.1 million unit cases in 2005, an increase of 4.0% over 2004. In 2005, the volume growth came from our core and premium brands, which more than offset the volume decline of our value protection brands, which decreased from representing 15.4% of total volume in 2004 to 13.6% in 2005. The majority of the carbonated soft drinks incremental volume came from the *Coca-Cola* brand in the 0.6 liter presentation, accounting for almost 40% of the growth. Non-carbonated beverages, excluding still water, almost doubled in sales volume during the year from a very low base in 2004, driven by incremental volume in the juice-based and flavored water products under the *Cepita* brand. The non-carbonated beverages excluding non-flavored still water, contributed to close to 20% of our incremental volume.

Income from Operations

Gross profit totaled Ps. 1,099 million in 2005, an increase of 7.4% as compared with the previous year. Higher PET resin prices, a slight depreciation of the Argentine peso against the U.S. dollar as applied to our U.S. dollar denominated costs, and an increases in labor costs were more than offset by better avarage price per unit case resulting in a slight gross margin expansion from 39.1% in 2004 to 39.3% in 2005.

Operating expenses increased 10.1% in 2005 as compared to 2004, mainly due to higher freight costs and salaries, which were offset by higher average prices per unit case, resulting in a 3.4% increase in our operating income reaching Ps. 422 million. Our operating income margin decreased 50 basis points to 15.1% from 15.6% in 2004.

Brazil

Beginning with the second quarter of 2005, we no longer included beer that we distribute in Brazil in our sales volumes and net sales. Instead, the amount we receive for distributing beer in Brazil is included in other operating revenues. We have reclassified prior periods presented in this report for comparability purposes. Since our affiliate, Fomento Económico Mexicano, S.A. de C.V. ("FEMSA"), acquired a controlling stake in Cervejarias Kaiser from the Molson Coors Brewing Company on January 16, 2006, beginning in February, 2006, we have agreed to reassume the selling function of the Kaiser beer portfolio in Sao Paulo, Brazil, pursuant to the original agreements that regulate the relationship between Kraiser and the Coca-Cola bottlers in Brazil.

Total Revenues

Total revenues in Brazil reached Ps. 5,819 million in 2005, an increase of 12.0% as compared to 2004. Volume growth contributed more than 90% of this increase and better average price per unit case accounted for the balance. Average price per unit case was Ps. 22.43 during the year, an increase of 1.1% as compared to 2004, driven by channel mix shift to higher profitable channels, such as small retailers and on-premise consumption formats carrying higher average price per unit case, which more than offset a packaging mix shift towards returnable presentations, which carry lower average price per unit case.

Total sales volume increased 11.0% to 252.5 million unit cases in 2005. The majority of this growth came from our carbonated soft drinks, contributing to over 80% of our incremental volumes and still water growth representing the balance. Carbonated soft drinks posted a strong 9.5% growth in 2005, driven by the *Coca-Cola* and *Fanta* brands, accounting for more than 70% of the incremental carbonated soft drinks volume. During 2005, returnable presentations reached 8.0% of our total sales volume, as compared to 5.3% in 2004 driven by the successful roll-out of the 1.0 liter returnable glass presentation for *Coca-Cola* brand. Still water sales volume grew 35% in the year, driven by an increased marketing and execution focus on our proprietary still bottled water Crystal brand.

Income from Operations

Gross profit totaled Ps. 2,735 million in 2005, resulting in a gross margin expansion of 340 basis points, from 43.6% in 2004 to 47.0% in 2005. The appreciation of the Brazilian real against the U.S. dollar, as applied to our raw material costs denominated in U.S. dollars and improvements in manufacturing efficiencies more than offset raw material price increases.

Operating income reached Ps. 906 million, an increase of 72.2% as compared to 2004, mainly driven by top line growth, resulting in an operating income margin expansion of 550 basis points to 15.6% in 2005. Operating expenses per unit case declined, mainly due to improved operating leverage from an increase in sales volume and the implementation of better commercial practices, including improvements in presale efficiencies.

Corporate Governance

Coca-Cola FEMSA prides itself on its standards of corporate governance and the quality of its disclosures. We are among the leaders in compliance of the Best Corporate Practices Code established by the Mexican Entrepreneurial Counsel. In our new operations, we have applied the same strict standards and will continue to do so. We believe that the independence of our directors provides an invaluable contribution to the decision-making process in our corporation and to shareholder value protection.

On our website, www.coca-colafemsa.com, we maintain a list of the significant ways in which our corporate governance practices ruled under Mexican regulations differ from those followed by U.S. companies under New York Stock Exchange listing standards.

Environmental Statement

Coca-Cola FEMSA is dedicated to the principles of sustainable development. While the Company's environmental impact is small, Coca-Cola FEMSA is committed to managing that impact in a positive manner. Compliance, waste minimization, pollution prevention and continuous improvement are hallmarks of the Company's environmental management system. The Company has achieved significant progress in areas such as recovery and recycling, water and energy conservation and wastewater quality. These efforts simultaneously help Coca-Cola FEMSA to protect the environment and to advance its business. For further information, see Social Responsibility section on page 20.

Management's Responsibility for Internal Control

The management of Coca-Cola FEMSA is responsible for the preparation and integrity of the accompanying consolidated financial statements and for maintaining a system of internal control. These checks and balances serve to provide reasonable assurance to shareholders, to the financial community, and to other interested parties that transactions are executed in accordance with management authorization, that accounting records are reliable as a basis for the preparation of the consolidated financial statements, and that assets are safeguarded against loss from unauthorized use or disposition.

In fulfilling its responsibilities for the integrity of financial information, management maintains and relies on the Company's system of internal controll This system is based on an organizational structure that efficiently delegates responsibilities and ensures the selection and training of qualified personnel. In addition, it includes policies, which are communicated to all personnel through appropriate channels. This system of internal control is supported by an ongoing internal audit function that reports its findings to management throughout the year. Management believes that to date, the internal control system of the Company has provided reasonable assurance that material errors or irregularities have been prevented or detected and corrected within a timely period.

Report of Independent Examiners

To the Stockholders' General Meeting of Coca-Cola FEMSA, S.A. de C.V.:

In our role as Shareholder Examiners and in compliance with Article 166 of the Mexican General Corporate Law and the bylaws of Coca-Cola FEMSA, S.A. de C.V. (the "Company"), we submit our report regarding the truthfulness, sufficiency and fairness of the individual and consolidated financial information submitted to you by the Board of Directors, relative to the Company's operations for the year ended December 31, 2005.

We have attended the Shareholder, Board of Directors and Audit Committee meetings to which we have been invited and have obtained from the Directors and management all of the information relative to the operations, documents and records that we deemed necessary to examine. We have also reviewed, using the scope we considered necessary in the circumstances, the reports issued by the external auditors of the Company on the financial statements. Our review was performed in accordance with auditing standards generally accepted in Mexico.

Effective January 1, 2005, the Company and its subsidiaries adopted the provisions of certain new or revised accounting standards resulting in the following changes in accounting:

- As mentioned in Note 5 q) of the audited financial statements, the initial effect of adopting Bulletin C-10, "Derivative Financial Instruments and Hedging Activities", resulted in the recognition of a net asset for derivative financial instruments of Ps. 210 million, with a coresponding increase of Ps. 63 million in the deferred income tax liability, Ps. 22 million of income was recorded in the income statement as a change in accounting principle, net of deferred taxes, and Ps. 125 million was recorded as other comprehensive income, net of deferred taxes.

- As mentioned in Note 5 l) of the audited financial statements, revised Bulletin D-3, "Labor Obligations", requires the recognition of a labor obligation for severance indemnities, other than restructuring. The liability recorded by the Company as a result of adopting this bulletin was Ps. 147 million, and the additional expense recorded in the income statement was Ps. 50 million.

In our opinion, the accounting and reporting policies and criteria followed by the Company and considered by management to prepare the individual and consolidated financial information presented at this meeting are adequate and sufficient and except for the items mentioned in the above paragraph, were applied on a basis consistent with that of the preceding year. Therefore, the individual and consolidated financial information presented by management truthfully, sufficiently and fairly presents the financial position of Coca-Cola FEMSA, S.A. de C.V. as of December 31, 2005, and the results of its operations, changes in its stockholders' equity and changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in Mexico.

Mexico City, Mexico
February 15, 2006

C.P.C. Fausto Sandoval Amaya
Examiner

C.P.C. Ernesto González Dávila
Examiner

Report of Independent Registered Public Accounting Firm

Deloitte.

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of Coca-Cola FEMSA, S. A. de C.V.:

We have audited the accompanying consolidated balance sheets of Coca-Cola FEMSA, S. A. de C. V. (a Mexican corporation) and subsidiaries (the "Company") as of December 31, 2005 and 2004, 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, 2005, all expressed in millions of Mexican pesos of purchasing power as of December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with accounting principles generally accepted in Mexico. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Coca-Cola FEMSA, S. A. de C. V. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations, changes in their stockholders' equity and changes in their financial position for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in Mexico.

Effective January 1, 2005, the Company adopted the provisions of certain new or revised accounting standards resulting in the following changes in accounting:

- As mentioned in Note 5 q), the initial effect of adopting Bulletin C-10, "Derivative Financial Instruments and Hedging Activities", resulted in the recognition of a net asset for derivative financial instruments of Ps. 210 million, with a corresponding increase of Ps. 63 million in the deferred income tax liability, Ps. 22 million of income was recorded in the income statement as a change in accounting principle, net of deferred taxes, and Ps. 125 million was recorded as other comprehensive income, net of deferred taxes.

- As mentioned in Note 5 l), revised Bulletin D-3, "Labor Obligations", requires the recognition of a labor obligation for severance indemnities, other than restructuring. The liability recorded by the Company as a result of adopting this bulletin was Ps. 147 million, and the additional expense recorded in the income statement was Ps. 50 million.

As mentioned in Note 2, the Company acquired Panamerican Beverages, Inc. on May 6, 2003, incorporating its results of operations since the date of acquisition, as a result of which the consolidated statements of income and changes in financial position for the years ended December 31, 2005, and 2004, are not comparable with those for the year ended December 31, 2003.

Accounting principles generally accepted in Mexico vary in certain significant respects from accounting principles general and accepted in the United States of America. The application of the latter would have affected the determination of net income for each of the three years in the period ended December 31, 2005, and the determination of stockholders' equity as of December 31, 2005 and 2004, to the extent summarized in Note 26.

Our audit as of December 31, 2005 also comprehended the translation of the Mexican peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. The translation of the 2005 financial statement amounts into U.S. dollars and the translation of the financial statements into English have been made solely for the convenience of readers in the United States of America.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu

C.P.C. Jorge Alamillo Sotomayor

Mexico City, Mexico
February 15, 2006

Consolidated Balance Sheets

At December 31, 2005 and 2004.
Amounts expressed in millions of U.S. dollars ($) and in millions of constant Mexican pesos (Ps.) as of December 31, 2005

	2005		2004
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 184	Ps. 1,958	Ps. 3,782
Accounts receivable	237	2,523	2,220
Inventories	204	2,168	2,301
Recoverable taxes	44	464	769
Other current assets	29	309	106
Total current assets	698	7,422	9,178
Property, plant and equipment, net	1,746	18,555	19,588
Investment in shares	41	441	444
Other assets	172	1,829	1,522
Deferred income tax asset	115	1,221	1,503
Intangible assets	3,547	37,680	37,383
TOTAL ASSETS	$ 6,319	Ps. 67,148	Ps. 69,618

Translation of financial statements originally issued in Spanish

	2005		2004
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Bank loans	**$ 58**	**Ps. 618**	Ps. 216
Interest payable	**31**	**326**	324
Current maturities of long-term debt	**359**	**3,810**	3,173
Suppliers	**434**	**4,616**	4,294
Taxes payable	**88**	**933**	1,444
Accounts payable, accrued expenses and other liabilities	**146**	**1,545**	1,706
Total current liabilities	**1,116**	**11,848**	11,157
Long-Term Liabilities:			
Bank loans	**1,475**	**15,673**	22,447
Notes payable	**-**	**-**	28
Deferred income tax liability	**94**	**994**	1,430
Labor liabilities	**73**	**780**	669
Other liabilities	**293**	**3,126**	2,732
Total long-term liabilities	**1,935**	**20,573**	27,306
Total liabilities	**3,051**	**32,421**	38,463
Stockholders' Equity:			
Minority interest in consolidated subsidiaries	**90**	**959**	740
Majority interest:			
Capital stock	**272**	**2,886**	2,886
Additional paid-in capital	**1,162**	**12,349**	12,349
Retained earnings	**1,631**	**17,338**	12,394
Net income	**432**	**4,586**	5,580
Cumulative other comprehensive loss	**(319)**	**(3,391)**	(2,794)
Majority interest	**3,178**	**33,768**	30,415
Total stockholders' equity	**3,268**	**34,727**	31,155
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 6,319**	**Ps. 67,148**	Ps. 69,618

The accompanying notes are an integral part of these consolidated balance sheets.
Mexico City, Mexico, February 15, 2006.

Carlos Salazar Lomelín
Chief Executive Officer

Héctor Treviño Gutiérrez
Chief Financial Officer

Consolidated Income Statements

For the years ended December 31, 2005, 2004 and 2003.
Amounts expressed in millions of U.S. dollars ($) and in millions of constant Mexican pesos (Ps.) as of December 31, 2005, except per share data.

	2005		2004	2003
Net sales	$ 4,690	Ps. 49,840	Ps. 47,442	Ps. 38,664
Other operating revenues	34	358	344	398
Total revenues	4,724	50,198	47,786	39,062
Cost of sales	2,398	25,486	24,351	19,614
Gross profit	2,326	24,712	23,435	19,448
Operating expenses:				
Administrative	265	2,819	2,824	2,156
Selling	1,243	13,210	12,624	9,953
	1,508	16,029	15,448	12,109
Income from operations	818	8,683	7,987	7,339
Integral result of financing:				
Interest expense	231	2,452	2,622	1,681
Interest income	(26)	(280)	(288)	(265)
Foreign exchange (gain) loss	(21)	(223)	36	2,206
Gain on monetary position	(76)	(813)	(1,537)	(946)
	108	1,136	833	2,676
Other expenses, net	28	303	408	281
Income before taxes and employee profit sharing	682	7,244	6,746	4,382
Taxes and employee profit sharing	241	2,562	1,142	1,843
Income before cumulative effect of change in accounting principle	441	4,682	5,604	2,539
Cumulative effect of change in accounting principle, net of taxes	(2)	(22)	-	-
Consolidated net income	$ 443	Ps. 4,704	Ps. 5,604	Ps. 2,539
Net majority income	432	4,586	5,580	2,520
Net minority income	11	118	24	19
Consolidated net income	$ 443	Ps. 4,704	Ps. 5,604	Ps. 2,539
Net majority income (U.S. dollars and constant Mexican pesos) per share :				
Before change in accounting principle	0.23	2.47	3.02	1.48
Cumulative effect of change in accounting principle	-	0.01	-	-
Net majority income	0.23	2.48	3.02	1.48

The accompanying notes are an integral part of these consolidated income statements.

Consolidated Statements of Changes in Financial Position

For the years ended December 31, 2005, 2004 and 2003.
Amounts expressed in millions of U.S. dollars ($) and in millions of constant Mexican pesos (Ps.) as of December 31, 2005.

	2005		2004	2003
Resources Generated by (Used in) Operations:				
Consolidated net income	$ 443	Ps. 4,704	Ps. 5,604	Ps. 2,539
Depreciation	123	1,307	1,284	1,079
Amortization and other	117	1,241	866	1,144
	683	7,252	7,754	4,762
Working capital:				
Accounts receivable	(29)	(303)	(140)	197
Inventories	(4)	(40)	(308)	(417)
Other current assets and recoverable taxes, net	10	102	557	(636)
Suppliers	30	322	506	(48)
Accounts payable, accrued expenses and other liabilities	(63)	(672)	(70)	(989)
Labor liabilities	(5)	(48)	(64)	(28)
Net resources generated by operating activities	622	6,613	8,235	2,841
Resources Used in Investing Activities:				
Panamerican Beverages, Inc. acquisition	-	-	-	(32,228)
Property, plant and equipment, net	(112)	(1,191)	(1,405)	(1,721)
Investment in shares and long-term accounts receivable	(5)	(52)	160	68
Other assets	(77)	(821)	(604)	(443)
Net resources used in investing activities	(194)	(2,064)	(1,849)	(34,324)
Resources (Used in) Generated by Financing Activities:				
Bank loans paid during the year	(429)	(4,556)	(4,125)	17,130
Amortization in real terms of long-term liabilities	(111)	(1,180)	(1,661)	985
Notes payable, interest payable and other liabilities	4	40	35	(684)
Dividends declared and paid	(60)	(636)	(557)	-
Increase in minority interest	-	-	461	-
Increase in capital stock	-	-	3	10,674
Cumulative translation adjustment	(4)	(41)	95	(492)
Net resources (used in) generated by financing activities	(600)	(6,373)	(5,749)	27,613
Cash and cash equivalents:				
Net (decrease) increase	(172)	(1,824)	637	(3,870)
Initial balance	356	3,782	3,145	7,015
Ending balance	$ 184	Ps. 1,958	Ps. 3,782	Ps. 3,145

The accompanying notes are an integral part of these consolidated statements of changes in financial position.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2005, 2004 and 2003.
Amounts expressed in millions of constant Mexican pesos (Ps.) as of December 31, 2005.

	Capital Stock	Additional Paid-in Capital
Balances at December 31, 2002	Ps. 2,678	Ps. 1,880
Transfer of prior year net income		
Minority interest from Panamco acquisition		
Increase in capital stock	208	10,466
Comprehensive income		
Balances at December 31, 2003	2,886	12,346
Transfer of prior year net income		
Increase in minority interest		
Dividends declared and paid		
Increase in capital stock		3
Comprehensive income		
Balances at December 31, 2004	2,886	12,349
Transfer of prior year net income		
Dividends declared and paid		
Comprehensive income		
Balances at December 31, 2005	**Ps. 2,886**	**Ps. 12,349**

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

Retained Earnings	Net Income	Cumulative Other Comprehensive Income (Loss)	Minority Interest in Consolidated Subsidiaries	Total Stockholders' Equity
Ps. 7,535	Ps. 2,896	Ps. (4,032)	Ps. -	Ps. 10,957
2,896	(2,896)			-
			161	161
				10,674
	2,520	858	19	3,397
10,431	2,520	(3,174)	180	25,189
2,520	(2,520)			-
			461	461
(557)				(557)
				3
	5,580	380	99	6,059
12,394	5,580	(2,794)	740	31,155
5,580	(5,580)			-
(636)				(636)
	4,586	(597)	219	4,208
Ps. 17,338	**Ps. 4,586**	**Ps. (3,391)**	**Ps. 959**	**Ps. 34,727**

Note 1. Activities of the Company

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

Coca-Cola FEMSA is indirectly owned by Fomento Económico Mexicano, S.A. de C.V. ("FEMSA") (45.7% of the capital stock, 53.6% of the voting shares), and The Coca Cola Company, which indirectly owns 39.6% of the capital stock. The remaining 14.7% of the shares trade 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 economic unit, are engaged in the production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela, Brazil and Argentina.

Note 2. Acquisition of Panamerican Beverages, Inc.

On May 6, 2003, Coca-Cola FEMSA acquired 100% of the outstanding stock of Panamerican Beverages, Inc. ("Panamco") for Ps. 32,084. As part of the acquisition, the Company assumed Ps. 9,875 of net debt and incurred transaction costs of Ps. 424, which consisted of financial advisory and legal fees, capitalized as adjustments to the purchase price.

At the acquisition date Panamco produced and distributed Coca-Cola trademark beverage in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela and Brazil, along with bottled water and other beverages in some of these territories and beer in Brazil.

The transaction was financed with an equity contribution from FEMSA of Ps. 3,020, an exchange of The Coca-Cola Company's equity interests in Panamco valued at Ps. 7,654 for new shares of Coca-Cola FEMSA, cash on hand of Ps. 3,066 and additional indebtedness of Ps. 18,768.

The exchange of equity interests of The Coca-Cola Company generated additional paid-in capital in majority stockholders' equity, since the shares were subscribed at a value greater than the book value of the shares at the subscription date.

The results of Panamco's operations were included in the consolidated financial statements since the date of acquisition, as a result of which the consolidated income statements and the consolidated statements of changes in financial position for the years ended December 31, 2005 and 2004 are not comparable with those for the year ended December 31, 2003.

The Company accounted for the acquisition by the purchase method and allocated the purchase price to the fair value of the assets acquired and the liabilities assumed. The fair value adjustments include recognition of an intangible asset with an indefinite life for a total amount of Ps. 37,154 included in the financial statements as "Rights to produce and distribute Coca-Cola trademark products" and the reduction to fair value of certain assets consisting primarily of facilities that the Company considered non-strategic as well as the elimination of certain intangible assets that were generated from previous acquisitions made by Panamco.

Note 3. 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 of America ("U.S. GAAP"), as further explained in Note 25. Reconciliation from Mexican GAAP to U.S. GAAP is included in Note 26.

The consolidated financial statements are stated in millions of Mexican pesos ("Ps."). The translation of Mexican pesos into U.S. dollars ("$") is included solely for the convenience of the reader, using the noon buying exchange rate published by Bank of New York of 10.6275 pesos per U.S. dollar.

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

Note 4. Foreign Subsidiary Incorporation

The accounting records of foreign subsidiaries are maintained in the currency of the country where they are located and in accordance with accounting principles generally accepted in each country. For incorporation into the Coca-Cola FEMSA consolidated financial statements, each foreign subsidiary's individual financial statements are adjusted to Mexican GAAP and restated to the purchasing power of the local currency applying inflation factors of the country of origin and are subsequently translated into Mexican pesos using the exchange rate in effect at the date of the most recent balance sheet presented.

The variation in the net investment in foreign subsidiaries generated by exchange rate fluctuations is included in the cumulative translation adjustment and is recorded directly in stockholders' equity as part of other comprehensive income.

The accounting treatment for the integral result of financing when the Company designates a net investment in an acquired foreign subsidiary as an economic hedge to finance its acquisition is as follows:

- The foreign exchange gain or loss is recorded as part of the cumulative translation adjustment to the extent the net investment in the foreign subsidiary covers the debt, net of taxes. The foreign exchange gain or loss associated with any unhedged portion of such debt is recorded in the integral result of financing; and

- The monetary position result is computed using the inflation factors of the country in which the acquired subsidiary is located to the extent the net investment in that subsidiary covers the debt outstanding. The monetary position result corresponding to the unhedged portion of such debt is calculated using the inflation factors of the country of the company that enters into the financing. The total effect is recorded in the integral result of financing.

As of the date of these consolidated financial statements, the Company has not designated any investment in a foreign subsidiary as an economic hedge.

The monetary position result and exchange gain or loss generated by foreign subsidiaries associated with intercompany financing foreign currency denominated balances that are considered a long-term-investment since settlement is not planned or anticipated in the foreseeable future, are recorded in the cumulative translation adjustment in stockholders' equity, net of the related tax effect, as part of other comprehensive income.

In February 2003, the Venezuelan government fixed the exchange rate at 1,600 Venezuelan bolivars per U.S. dollar. Due to the uncertainties regarding the availability of U.S. dollars at the official rate, the Company used the last available market-closing rate of 1,853 bolivars per U.S. dollar to translate the financial statements for its Venezuelan subsidiary. Since 2004, U.S. dollars have been available at the official rate, subject to compliance with the appropriate regulations.

Note 5. 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:
The recognition of the effects of inflation in the financial information consists of:

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

- 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 generated, through the use of the appropriate inflation factors;

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

- Including in the integral result of financing the purchasing power gain or loss from holding monetary items.

The Company restates its consolidated financial statements in currency of constant purchasing power by applying the inflation factors of the country of origin and the exchange rate in effect at the date of the most recently balance sheet 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 brokerage houses valued at the quoted market prices with original maturities of three months or less.

As of December 31, 2005 and 2004, the Company had restricted cash of approximately Ps. 71 and Ps. 165 (denominated in Venezuelan bolivars) which were pledged as collateral of accounts payable to suppliers.

c) Inventories and Cost of Sales:

The value of inventories is adjusted to replacement cost, without exceeding market value. Advances to suppliers to purchase raw materials are included in the inventory account and are restated by applying inflation factors, considering their average age.

Cost of sales is determined based on replacement cost at the time of sale. Cost of sales includes expenses related to raw materials used in the production process, labor (wages and other benefits), depreciation of production facilities and equipment and other costs including fuel, electricity, breakage of returnable bottles in the production process, equipment maintenance, inspection and inter and intra-plant transfer costs.

d) Other Current Assets:

Other current assets are comprised of payments for services that will be received over the next 12 months and the market value of short term derivative instruments.

Prepaid expenses are recorded at historical cost and are recognized in the income statement when the services or benefits are received. Prepaid expenses principally consist of advertising, promotional and leasing expenses.

Advertising costs consist of television and radio advertising airtime paid in advance, which are generally amortized over a 12-month period based on the transmission of the television and radio spots. The related production costs are recognized in results of operations the first time the advertising is transmitted.

Promotional costs are expensed as incurred, except for those promotional costs related to the launching of new products or presentations. These costs are recorded as prepaid expenses and amortized over the period during which they are estimated to increase sales of the related products or container presentations to normal operating levels, which is generally one year.

e) Property, Plant and Equipment:

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction. Property, plant and equipment of domestic origin, except returnable bottles and cases (see Note 5 f), are restated by applying inflation factors. Imported equipment is restated by applying inflation factors of the country of origin and then translated using the exchange rate in effect at the date of the most recent balance sheet presented.

Depreciation is computed using the straight-line method, based on the value of the restated assets reduced by their residual values. The Company, together with independent appraisers, estimates depreciation rates, considering the estimated remaining useful lives of the assets.

The estimated useful lives of the Company's principal assets are as follows:

	Years
Buildings and construction	47
Machinery and equipment	16
Distribution equipment	11
Other equipment	7

f) Returnable Bottles and Cases:
Returnable bottles and cases are recorded at acquisition cost and restated to their replacement cost. The Company classifies them as fixed assets.

There are two types of returnable bottles and cases:

- Those that are in the Company's control in its facilities or under a loan agreement with customers, which are referred to as bottles and cases in plant and distribution centers; and

- Those that have been placed in the hands of customers, which are referred to as bottles and cases in the market.

For financial reporting purposes, breakage of returnable bottles and cases in plant and distribution centers is recorded as an expense as it is incurred. For the years ended December 31, 2005, 2004 and 2003 breakage expense amounted to Ps. 552, Ps. 435 and Ps. 307, respectively.

The Company's returnable bottles and cases in the market and for which a deposit from customers has been received are presented net of such deposits, and the difference between the cost of these assets and the deposits received is amortized according to their useful lives. The bottles and cases for which no deposit has been received, which represent most of the bottles and cases placed in the market, are expensed when placed in the hands of customers. Depreciation is computed only for tax purposes using the straight-line method at a rate of 10% per year.

The Company estimates that breakage expense of returnable bottles and cases in plant and distribution centers is similar to the depreciation calculated on an estimated useful life of approximately four years for returnable glass bottles and plastic cases and one year for returnable plastic bottles.

g) Investment in Shares:
Investment in shares of associated companies are initially recorded at their acquisition cost and subsequently accounted for using the equity method. Investments in affiliated companies in which the Company does not have significant influence are recorded at acquisition cost and are adjusted to market value if they have an observable market value or based upon the inflation factors of the country of origin.

h) Other Assets:
Other assets represent payments whose benefits will be received in future years and consist of the following:

- Refrigeration equipment, which is initially recorded at the cost of acquisition. Equipment of domestic origin is restated by applying domestic 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. Refrigeration equipment is amortized based on an estimated average useful life of approximately five years. Major refrigeration equipment repairs were initiated in Mexico in 2004. These repairs were capitalized and are being amortized over a two-year period net of the undepreciated value of the parts replaced.

- Agreements with customers for the right to sell and promote the Company's products during certain periods of time, which are considered monetary assets and amortized under the straight-line method, which amortizes the asset over the life of the contract. The amortization is recorded reducing net sales, which during the years ended December 31, 2005, 2004 and 2003, amounted to Ps. 249, Ps. 278 and Ps. 272, respectively.

- Leasehold improvements, which are restated by applying inflation factors, are amortized using the straight-line method over the shorter of the useful life of the assets or a term equivalent to the minimum lease period.

i) Intangible Assets:
These assets represent payments whose benefits will be received in future years. The Company separates intangible assets between those with a finite useful life and those with an indefinite useful life, in accordance with the period over which the Company expects to receive the benefits.

Intangible assets with finite useful lives are amortized and mainly consist of information technology and management systems costs incurred during the development stage are capitalized. Such amounts are restated applying inflation factors and are amortized using the straight-line method over four years. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.

Intangible assets with indefinite lives are not amortized and are subject to periodic impairment testing. The Company's intangible assets with indefinite lives mainly consist of the Company's rights to produce and distribute Coca-Cola trademark products in the territories acquired (see Note 2) through the Panamco acquisition. These rights are contained in agreements that are the standard contracts that The Coca-Cola Company enters into with bottlers outside the United States of America for the sale of concentrates for certain Coca-Cola trademark beverages. The most significant bottler agreements have terms of 10 years and are automatically renewable for 10-year terms, subject to non-renewal by either party. These agreements are recorded in the functional currency of the subsidiary in which the investment was made and were restated by applying inflation factors of the country of origin using the exchange rate in effect at the date of the most recent balance sheet presented.

j) Impairment of Long-Lived Assets:
The Company reviews the carrying value of its long-lived assets for impairment and determines whether impairment exists, by comparing estimated discounted future cash flows to be generated by those assets with their carrying value.

For long-lived assets, such as property, plant and equipment, other assets and indefinitive life, intangible assets, the Company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable through their expected future cash flows.

Impairment charges regarding long-lived assets are recognized in other expenses.

k) Payments from The Coca-Cola Company:
The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment investment program. The contributions received for advertising and promotional incentives are included as a reduction of selling expenses. The contributions received for the refrigeration equipment investment program are recorded as a reduction of the investment in refrigeration equipment. The contributions received were Ps. 952, Ps. 958 and Ps. 1,307 during the years ended December 31, 2005, 2004 and 2003, respectively.

l) Labor Liabilities:
Beginning January 1, 2005, revised Bulletin D-3 establishes that severance payments resulting from situations other than a restructuring should be charged to the income statement in accordance with actuarial calculations based on the Company's severance indemnity history of the last three years. Labor liabilities include obligations for pension and retirement plans, seniority premiums and beginning in 2005 severance indemnity liabilities, all based on actuarial calculations by independent actuaries, using the projected unit credit method. Until December 31, 2004 such severance indemnities were charged to expenses on the date when a decision was taken. These liabilities are considered to be non-monetary and are restated using long-term assumptions. The cost for the year of labor liabilities is charged to income from operations.

Unamortized prior service costs are recorded as expenses over the period during which the employees will receive the benefits of the plan, which in the case of pension and retirement plans and seniority premiums is 14 years since 1996, and 19 years for severance indemnities since 2005.

Certain subsidiaries of the Company have established funds for the payment of pension benefits through irrevocable trusts with the employees named as beneficiaries.

Severance indemnities resulting from a restructuring program are charged to expenses on the date when a decision to retire personnel under a formal program or for specific causes is taken. These severance payments are included in other expenses, net. During the years ended December 31, 2005, 2004 and 2003, these payments amounted to Ps. 73, Ps. 94 and Ps. 33, respectively.

m) Revenue Recognition:
Revenue is recognized upon delivery to the customer and the customer has taken ownership of the goods. Net sales reflect units delivered at selling list prices reduced by promotion allowances, discounts and the amortization of the agreements with customers to obtain the rights to sell and promote the products of the Company.

n) Operating Expenses:
Administrative expenses include labor costs (salaries and other benefits) for employees not directly involved in the sale of the Company's products, professional service fees, depreciation of office facilities and amortization of capitalized information technology system costs.

Selling expenses include:

- Distribution: labor costs (salaries and other benefits), outbound freight costs, warehousing costs of finished products, breakage for returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. During the years ended December 31, 2005, 2004 and 2003, these distribution costs amounted to Ps. 7,008, Ps. 6,610 and Ps. 5,419, respectively;

- Sales: labor costs (salaries and other benefits) and sales commissions paid to sales personnel; and

- Marketing: labor costs (salaries and other benefits), promotions and advertising costs.

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

Income tax and employee profit sharing are charged to results as they are incurred. Deferred income tax assets and liabilities are recognized for temporary differences resulting from comparing the book and tax values of assets and liabilities plus any future benefits from tax loss carryforwards. Deferred income tax assets are reduced by any benefits for which there is uncertainty as to their realizability. Deferred employee profit sharing is derived from temporary differences between the accounting result and income for employee profit sharing purposes and is recognized only when it can be reasonably assumed that the temporary differences will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

The tax on assets paid that is expected to be recovered is recorded as a reduction of the deferred tax liability.

The balance of deferred taxes is comprised of monetary and non-monetary items, based on the temporary differences from which it is derived. Deferred taxes are classified as a long-term asset or liability, regardless of when the temporary differences are expected to reverse.

The deferred tax provision to be included in the income statement is determined by comparing the deferred tax balance at the end of the year to the balance at the beginning of the year, excluding from both balances any temporary differences that are recorded directly in stockholders' equity. The deferred taxes related to such temporary differences are recorded in the same stockholders' equity account.

FEMSA has authorization from the Secretaría de Hacienda y Crédito Público ("SHCP") to prepare its income tax and tax on assets returns on a consolidated basis, which includes the proportional taxable income or loss of its Mexican subsidiaries. The provisions for income taxes of the Company and all the foreign countries subsidiaries have been determined on the basis of the taxable income of each individual company.

p) Integral Result of Financing:

The integral result of financing includes:

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

- Foreign Exchange Gains and Losses: Transactions in foreign currencies are recorded in local currencies using the exchange rate applicable on the date they occur. Assets and liabilities in foreign currencies are adjusted using the exchange rate in effect at the date of the most recent balance sheet presented, recording the resulting foreign exchange gain or loss directly in the income statement, except for any foreign exchange gain or loss from financing obtained for the acquisition of foreign subsidiaries that are considered to be an economic hedge and the intercompany financing foreign currency denominated balances that are considered to be of a long-term investment nature (see Note 4); and

- Gain or Loss on Monetary Position: Represents the result of the effects of inflation on monetary items. The gain or loss on monetary position is computed by applying inflation factors of the country of origin to the net monetary position at the beginning of each month, excluding the financing contracted for the acquisition of any foreign subsidiaries that are considered to be an economic hedge and the intercompany financing foreign currency denominated balances that are considered to be of a long-term investment nature (see Note 4). The gain or loss on monetary position of foreign subsidiaries is translated into Mexican pesos using the exchange rate in effect at the date of the most recent balance sheet presented.

q) Derivative Instruments:

On January 1, 2005, Bulletin C-10, "Instrumentos Financieros Derivados y Operaciones de Cobertura" (Derivative Financial Instruments and Hedging Activities), went into effect. Accordingly, the Company values and records all derivative instruments and hedging activities (including certain derivative instruments embedded in other contracts) in the balance sheet as either an asset or liability measured at their fair value. Changes in the fair value of derivative instruments are recorded each year in the net income or as part of other comprehensive income, based on the type of hedging instrument and the effectiveness of the hedge.

Prior to Bulletin C-10, the Company's derivative instruments entered into for hedging purposes were valued using the same valuation criteria applied to the hedged asset or liability, with their fair value being disclosed in the notes to the financial statements. Additionally, derivative instruments entered into for purposes other than hedging were valued and recorded at fair value. The difference between the derivative instrument's initial value and fair value was recorded in the income statement.

The initial effect of adopting Bulletin C-10 resulted in the recognition of a net asset for derivative financial instruments of Ps. 210, with a corresponding increase of Ps. 63 in the deferred income tax liability, Ps. 22 of income was recorded in the income statement as a change in accounting principle, net of deferred taxes, and Ps. 125 was recorded in other comprehensive income, net of deferred taxes. At December 31, 2005, the derivative financial instruments represent a net liability of Ps. 276 and a charge of Ps. 242 of other comprehensive income, net of deferred taxes.

r) Cumulative Other Comprehensive Income (Loss):

The cumulative balances of the components of other comprehensive income (loss) are as follows:

		2005		2004
Cumulative result of holding non-monetary assets	**Ps.**	**(1,549)**	Ps.	(1,232)
Gain (loss) on cash flow hedges		**(242)**		-
Cumulative translation adjustment		**(1,579)**		(1,538)
Additional labor liability over unrecognized net transition obligation		**(21)**		(24)
	Ps.	**(3,391)**	Ps.	(2,794)

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

s) Provisions:

Provisions are recognized for obligations that result from a past event that will likely result in the use of economic resources and that can be reasonably estimated. Such provisions are recorded at net present values when the effect of the discount is significant.

t) Issuances of Subsidiary Stock:

The Company recognizes issuances of a subsidiary's stock as a capital transaction, in which the difference between the book value of the shares issued and the amount contributed by the minority interest holder or a third party is recorded as additional paid-in capital.

Note 6. Accounts Receivable

		2005		2004
Trade	**Ps.**	**1,901**	Ps.	1,806
Allowance for doubtful accounts		**(108)**		(136)
Notes receivable		**69**		37
The Coca-Cola Company		**399**		240
Loans to employees		**24**		15
Travel advances to employees		**8**		11
Insurance claims		**7**		9
Other		**223**		238
	Ps.	**2,523**	Ps.	2,220

The changes in the allowance for doubtful accounts are as follows:

		2005		2004		2003
Initial balance	**Ps.**	**136**	Ps.	134	Ps.	96
Provision for the period		**28**		88		60
Write-off of uncollectible accounts		**(45)**		(75)		(22)
Restatement of the initial balance		**(11)**		(11)		-
Ending balance	**Ps.**	**108**	Ps.	136	Ps.	134

Note 7. Inventories

		2005		2004
Finished products	**Ps.**	**644**	Ps.	623
Raw materials		**1,454**		1,590
Advances to suppliers		**41**		75
Work in process		**27**		9
Advertising and promotional materials		**4**		4
Allowance for obsolescence		**(2)**		-
	Ps.	**2,168**	Ps.	2,301

Note 8. Other Current Assets

		2005		2004
Advertising and promotional expenses	**Ps.**	**76**	Ps.	69
Derivative financial instruments		**161**		-
Bonus		**2**		13
Prepaid insurance		**11**		8
Prepaid services		**41**		-
Other		**18**		16
	Ps.	**309**	Ps.	106

The advertising and promotional expenses recorded in the income statement for the years ended December 31, 2005, 2004 and 2003 amounted to Ps. 1,484, Ps. 1,651 and Ps. 1,236, respectively.

Note 9. Property, Plant and Equipment

		2005		2004
Land	**Ps.**	**2,563**	Ps.	2,478
Buildings, machinery and equipment		**27,781**		27,959
Accumulated depreciation		**(13,888)**		(13,170)
Construction in progress		**535**		683
Returnable bottles and cases		**1,047**		1,075
Spare parts		**337**		300
Long-lived assets stated at realizable value		**180**		263
	Ps.	**18,555**	Ps.	19,588

The Company has identified certain long-lived assets that are not strategic to the current and future operations of the business and are available for sale, comprised of land, buildings and equipment for disposal, in accordance with an approved program for the disposal of certain investments. Such long-lived assets, which are not in use and have been recorded at their estimated realizable value without exceeding their restated acquisition cost, are as follows:

		2005		2004
Colombia	**Ps.**	**99**	Ps.	138
Venezuela		**51**		59
Costa Rica		**30**		66
	Ps.	**180**	Ps.	263
Land	**Ps.**	**124**	Ps.	90
Buildings		**31**		116
Equipment		**25**		57
	Ps.	**180**	Ps.	263

As a result of the sale of certain of the above assets, the Company recognized a loss of Ps. 8 in 2005; for the years ended December 31, 2004 and 2003 the Company did not dispose of long-lived assets. Such long-lived assets are considered monetary assets on which a loss on monetary position is computed and recorded in the income statement.

Note 10. Investment in Shares

Company	Ownership		2005		2004
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA")(1)	33.68%	**Ps.**	**150**	Ps.	150
KSP-Participacoes, S.A.(1)	12.14%		**81**		102
Beta San Miguel, S.A. de C.V. ("Beta San Miguel")(2)	2.54%		**64**		64
Complejo Industrial Can, S.A. ("CICAN")(1)	48.10%		**35**		37
Industria Mexicana de Reciclaje, S.A. de C.V. ("IMER")(1)	35.00%		**83**		54
Tapón Corona de Colombia, S.A. ("Tapón Corona")(3) (1)	-		**-**		25
Compañía de Servicios de Bebidas Refrescantes, S.A. de C.V. ("SALESKO")(1)	26.00%		**21**		-
Other investments(2)	Various		**7**		12
		Ps.	**441**	Ps.	444

Valuation method:

1) Equity method.

2) Restated acquisition cost (there is no readily determinable market value).

3) At the end of December 31, 2005 the Company has not an investment.

Note 11. Other Assets

		2005		2004
Refrigeration equipment	**Ps.**	**1,136**	Ps.	979
Agreements with customers		**190**		162
Leasehold improvements		**16**		32
Long-term accounts receivable		**94**		45
Additional labor liabilities (see Note 15)		**156**		6
Derivative financial instruments		**35**		-
Commissions		**53**		87
Other		**149**		211
	Ps.	**1,829**	Ps.	1,522

Note 12. Intangible Assets

		2005		2004
Intangible assets with indefinite useful lives:				
Rights to produce and distribute Coca-Cola trademark products:				
Territories of Panamco (see Note 2)	**Ps.**	**37,154**	Ps.	36,990
Buenos Aires, Argentina		**208**		201
Tapachula, Chiapas		**122**		122
Intangible assets with finite useful lives:		**196**		70
Cost of systems implementation	**Ps.**	**37,680**	Ps.	37,383

The changes in the carrying amount of amortized intangible assets are as follows:

	Investments				Amortization							
		Initial		Additions		Initial		For the Year		*Total*		Estimated Amortization Per Year
2005:												
Cost of systems implementation	**Ps.**	**132**	**Ps.**	**158**	**Ps.**	**(62)**	**Ps.**	**(32)**	**Ps.**	**196**	**Ps.**	**(45)**
2004:												
Cost of systems implementation	Ps.	69	Ps.	63	Ps.	(55)	Ps.	(7)	Ps.	70	Ps.	(30)

Note 13. Balances and Transactions with Related Parties and Affiliated Companies

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

Balances		2005		2004
Assets (accounts receivable)	**Ps.**	**558**	Ps.	334
Liabilities (suppliers and other liabilities)		**1,496**		1,667

Transactions		2005		2004		2003
Income:						
Sales and other revenues	**Ps.**	**612**	Ps.	276	Ps.	189
Expenses:						
Purchase of raw material and operating expenses from FEMSA		**2,418**		2,123		2,292
Purchase of concentrate from The Coca-Cola Company		**7,763**		7,221		6,069
Purchase of sugar from Beta San Miguel		**575**		946		240
Purchase of canned products from IEQSA and CICAN		**590**		486		302
Purchases of crown caps from Tapón Corona		**113**		206		125
Purchase of plastic bottles from Embotelladora del Atlántico, S.A. (formerly Complejo Industrial Pet, S.A.)(1)		**158**		158		146
Interest expense to The Coca-Cola Company		**11**		14		8
Interest expense related to long-term debt at BBVA Bancomer, S.A.(2)		**-**		174		37
Others		**15**		20		13

(1) During the years 2004 and 2003, one or more members of our board of directors or senior management are members of the board of directors or senior management of the counterparties to these transactions.

(2) At the end of December 31, 2005, the Company has not members of our Board of directors or senior management as members of the board of directors or senior management of the counterparties to these transactions.

Note 14. Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies, other than the functional currencies of the reporting unit, translated into U.S. dollars are as follows:

Balances		Applicable Exchange Rate [1]	Short-Term	Long-Term	Total
December 31, 2005:	**Assets**	**10.7109**	**$ 77**	**$ -**	**$ 77**
	Liabilities		**239**	**486**	**725**
December 31,2004:	Assets	11.1460	164	–	164
	Liabilities		47	669	716

(1) Mexican pesos per one U.S. dollar.

Transactions	**2005**	2004	2003
Revenues	**$ 18**	$ 9	$ 5
Expenses:			
Purchases of raw materials	**99**	105	90
Financial interest	**54**	39	51
Other	**14**	19	43
	$ 167	$ 163	$ 184

As of February 15, 2006, the issuance date of these consolidated financial statements, the exchange rate was 10.5258 Mexican pesos per one U.S. dollar, and the foreign currency position was similar to that as of December 31, 2005.

Note 15. Labor Liabilities

a) Assumptions:

The 2005 and 2004 actuarial calculations for pension and retirement plan, seniority premium, and severance indemnity liabilities, as well as the cost for the period, were determined using the following long-term assumptions:

	Annual Discount Rate	Salary Increase	Return on Assets
Mexico	6.0%	2.0%	6.0%
Guatemala	4.5%	1.5%	- [1]
Nicaragua	4.5%	1.5%	- [1]
Costa Rica	4.5%	1.5%	4.5%
Colombia	4.5%	1.5%	- [1]
Brazil	4.5%	1.5%	4.5%

Measurement date: November 2005

(1) No funding established for the payment of post-retirement obligations.

The basis for the determination of the long-term rate of return is supported by a historical analysis of average returns in real terms for the last 30 years of the Certificados de Tesorería del Gobierno Federal (Mexican Federal Government Treasury Certificates) or treasury bonds of each country for other investments and the expectations of long-term returns of the actual investments of the Company.

Based on these assumptions, the expected benefits to be paid in the following years are as follows:

	Pension and Retirement Plans	Seniority Premiums	Severance Indemnities
2006	Ps. 3	Ps. 35	Ps. 44
2007	3	36	33
2008	4	36	29
2009	4	37	27
2010	5	42	25
2011 to 2014	24	170	96

b) Balances of the Liabilities:

		2005		2004
Pension and retirement plans:				
Vested benefit obligation	**Ps.**	**262**	Ps.	274
Non-vested benefit obligation		**446**		482
Accumulated benefit obligation		**708**		756
Excess of projected benefit obligation over accumulated benefit obligation		**105**		98
Projected benefit obligation		**813**		854
Pension plan funds at fair value		**(298)**		(256)
Unfunded projected benefit obligation		**515**		598
Unrecognized net transition obligation		**(13)**		(14)
Unrecognized actuarial net gain		**57**		14
		559		598
Additional labor liability		**16**		13
Total	**Ps.**	**575**	Ps.	611
Seniority premiums:				
Vested benefit obligation	**Ps.**	**18**	Ps.	17
Non-vested benefit obligation		**28**		33
Accumulated benefit obligation		**46**		50
Excess of projected benefit obligation over accumulated benefit obligation		**10**		7
Unfunded projected benefit obligation		**56**		57
Unrecognized net transition obligation		**(2)**		(2)
Unrecognized actuarial net loss		**(25)**		(24)
		29		31
Additional labor liability		**29**		27
Total	**Ps.**	**58**	Ps.	58
Severance indemnities:				
Accumulated benefit obligation	**Ps.**	**147**	Ps.	-
Excess of projected benefit obligation over accumulated benefit obligation		**14**		-
Projected benefit obligation		**161**		-
Unrecognized net transition obligation		**(156)**		-
		5		-
Additional labor liability		**142**		-
Total	**Ps.**	**147**		-
Total labor liabilities	**Ps.**	**780**	Ps.	669

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 actual behavior of those variables at the end of the year.

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 was recorded as an intangible asset included in other assets up to an amount of the unrecognized net transition obligation services (see Note 11) and the difference was recorded as other comprehensive income.

c) Trust Assets:

Trust assets consist of fixed and variable return financial instruments, at market value. The trust assets are invested as follows:

	2005	2004
Fixed Return:		
Traded securities	**6%**	34%
Bank instruments	**2%**	11%
Federal government instruments	**55%**	30%
Variable Return:		
Publicly traded shares	**37%**	25%
	100%	100%

The Company has a policy of maintaining at least 30% of the trust assets in Mexican Federal Government instruments for Mexican investment and treasury bonds of each country for other investments. Objective portfolio guidelines have been established for the remaining percentage, and investment decisions are made to comply with those guidelines to the extent that market conditions and available funds allow. The composition of the portfolio is consistent with the composition of the portfolios of five largest international companies that manage long-term funds.

The amounts and types of securities of the Company and related parties included in trust assets are as follows:

		2005		2004
Capital:				
FEMSA	**Ps.**	**2**	Ps.	2

d) Cost for the Year:

		2005		2004		2003
Pension and retirement plans:						
Service cost	**Ps.**	**41**	Ps.	37	Ps.	27
Interest cost		**23**		21		14
Amortization of unrecognized transition obligation		**1**		-		-
Amortization of net actuarial gain		**(1)**		(2)		(1)
		64		56		40
Seniority premiums:						
Service cost		**8**		8		7
Interest cost		**3**		3		2
Amortization of unrecognized transition obligation		**1**		-		1
		12		11		10
Severance indemnities:						
Service cost		**28**		-		-
Interest cost		**10**		-		-
Amortization of unrecognized transition obligation		**12**		-		-
		50		-		-
	Ps.	**126**	Ps.	67	Ps.	50

e) Changes in the Balance of the Obligations:

		2005		2004
Pension and retirement plans:				
Initial balance	**Ps.**	**854**	Ps.	837
Service cost		**41**		37
Interest cost		**23**		21
Actuarial gain		**(28)**		(29)
Benefits paid		**(77)**		(12)
Ending balance	**Ps.**	**813**	Ps.	854
Seniority premiums:				
Initial balance	**Ps.**	**57**	Ps.	50
Service cost		**8**		8
Interest cost		**3**		3
Actuarial gain		**(12)**		(4)
Ending balance	**Ps.**	**56**	Ps.	57
Severance indemnities:				
Service cost	**Ps.**	**28**	Ps.	-
Interest cost		**10**		-
Actuarial loss		**123**		-
Ending balance	**Ps.**	**161**	Ps.	-

f) Changes in the Balance of the Trust Assets:

		2005		2004
Pension and retirement plans:				
Initial balance	**Ps.**	**256**	Ps.	238
Actual return on trust assets in real terms		**46**		38
Benefits paid		**(4)**		(20)
Ending balance	**Ps.**	**298**	Ps.	256

Note 16. Bonus Program

The bonus program for executives is based on complying with certain goals established annually by management, which include quantitative and qualitative objectives and special projects.

The quantitative objectives represent approximately 50% of the bonus and are based on the Economic Value Added ("EVA") methodology. The objective established for the executives is based on a combination of the EVA of the entity and EVA generated by the Company and FEMSA consolidated, calculated at approximately 70% and 30%, respectively.

The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

In addition, the Company provides a share compensation plan to certain key executives, consisting of an annual cash bonus to purchase shares under the following procedures, 50% of the annual cash bonus is used to purchase FEMSA shares or options and the remaining is to be used to purchase Coca-Cola FEMSA shares or options, based on the executive's responsibility in the organization, their business' EVA result achieved, and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested at 20% per year.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. The bonuses are recorded in income from operations and are paid in cash the following year. During the years ended December 31, 2005, 2004 and 2003, the bonus expense recorded amounted to Ps. 226, Ps. 251 and Ps. 203, respectively.

All shares held by the trusts are considered outstanding for earnings per share purposes and dividends on shares held by the trusts are charged to retained earnings.

Note 17. Bank Loans and Notes Payable

As of December 31, 2005 and 2004 short-term debt consisted of revolving bank loans. The amounts and weighted average variable interest rates of which are as follows:

	% Interest Rate (1)		**2005**	% Interest Rate (1)		2004
Argentine pesos	9.4%	**Ps.**	**224**	5.4%	Ps.	138
Venezuelan bolivars	12.1%		**389**	11.0%		78
U.S. dollars	4.7%		**5**	-		-
		Ps.	**618**		Ps.	216

(1) Weighted average rate.

The following table presents long-term bank loans and notes payable, as well as their weighted average rates and derivative instruments contracted by the Company:

	% Interest Rate (1)		2005	% Interest Rate (1)		2004
Fixed interest rate:						
U.S. dollars:						
Yankee bond	**7.9%**	**Ps.**	**5,359**	7.9%	Ps.	5,790
Mexican pesos:						
Bank loans	**9.9%**		**500**	10.0%		4,805
Notes	**10.2%**		**1,500**	9.0%		7,492
Units of investment (UDIs)	**8.7%**		**1,425**	8.7%		1,484
Variable interest rate:						
U.S. dollars:						
Capital leases	**7.3%**		**14**	10.0%		23
Private placement	**8.8%**		**1,982**	10.0%		1,900
Mexican pesos:						
Bank loans	**9.1%**		**2,650**	9.4%		568
Notes	**9.8%**		**5,656**	9.4%		2,843
Colombian pesos:						
Notes	**8.7%**		**372**	10.0%		715
Guatemalan quetzals:						
Bank loans	**6.5%**		**25**	-		-
Long-Term Debt			**19,483**			25,620
Current maturities of long-term debt			**3,810**			3,173
		Ps.	**15,673**		Ps.	22,447
Derivative Instruments						
Cross currency swaps:						
Bank loans from U.S. dollars to Mexican pesos		**Ps.**	**1,500**		Ps.	1,612
Interest pay rate	**11.0%**			10.0%		
Interest receive rate	**4.8%**			2.9%		
Interest rate swaps variable to fixed:						
Mexican pesos:						
Bank loans:			**2,650**			4,805
Interest pay rate	**9.9%**			10.0%		
Interest receive rate	**9.1%**			9.4%		
Notes:			**5,750**			5,941
Interest pay rate	**8.8%**			8.8%		
Interest receive rate	**9.8%**			9.3%		

(1) Weighted average rate.

Maturities of long-term debt as of December 31, 2005 are as follows:

Current maturities of long-term debt	Ps.	3,810
2007		2,074
2008		3,752
2009		3,877
2010		1,000
2011 and thereafter		4,970
	Ps.	19,483

The Company has financing from different institutions with different restrictions and covenants, which mainly consist of maximum levels of leverage and capitalization as well as minimum consolidated net worth and debt and interest coverage ratios. As of the date of these consolidated financial statements, the Company was in compliance with all restrictions and covenants contained in its financing agreements.

As of December 31, 2005, the Company has a committed and available U.S. dollar-denominated lines of credit totaling approximately $ 250. It also has uncommitted lines of credit from various financial institutions totalling $ 865.

Note 18. Fair Value of Financial Instruments

a) Long-Term Debt:
The fair value of long-term bank loans and syndicated loans is based on the discounted value of contractual cash flows, in which the discount rate is estimated using rates currently offered for debt of similar amounts and maturities. The fair value of long-term notes is based on quoted market prices. The fair value is estimated as of the day of the most recent balance sheet presented.

		2005		2004
Carrying value[1]	**Ps.**	**19,483**	Ps.	25,620
Fair value	**Ps.**	**19,884**	Ps.	25,886

(1) Include current maturities of long-term debt.

b) Equity Forward:
A subsidiary of the Company had an equity forward contract which expired in June 2004. In 2003, this contract generated a loss of Ps. 81, which was recognized in the Panamco acquisition balance sheet. On June 18, 2004, this subsidiary entered into a new forward contract, which expired in September 2004 resulting in the recognition of a gain of Ps. 20, recorded in the 2004 income statement.

c) Interest Rate Swaps:
The Company uses interest rate swaps to manage the interest rate risk associated with its borrowings, pursuant to which it pays amounts based on a fixed rate and receives amounts based on a floating rate. The net effect is included in interest income and amounted to Ps. 23, Ps. 12, and Ps. 34 for the years ended December 31, 2005, 2004 and 2003, respectively.

The fair value is estimated based on quoted market prices to terminate the contracts at the date of the most recent balance sheet presented.

At December 31, 2005, the Company has the following outstanding interest rate swap agreements:

Maturity Date		**Notional Amount**		**Fair Value**
2007	Ps.	4,250	Ps.	(36)
2008		3,750		4
2010		500		(17)

d) Unhedged Forward Contracts:

At the end of 2005 there were certain forward contracts that do not meet the hedging criteria for accounting purposes; consequently changes in the estimated fair value were recorded in the income statement. The table below shows the characteristics of these instruments.

	Maturity Date	Notional Amount		Fair Value	
U.S. dollars to Mexican pesos	2006	Ps.	70	Ps.	4

e) Cross Currency Swaps:

The Company also has cross currency swaps to manage the interest rate and the foreign exchange risks associated with its borrowings denominated in U.S. dollars and other currencies.

The fair value is estimated based on the quoted market exchange rates and interest rates to terminate the contracts at the day of the most recent balance sheet presented. The net effect is included in interest expense and amounted to Ps. 126 for the year ended December 31, 2005.

At December 31, 2005, the Company has the following outstanding cross currency swap agreements:

Maturity Date	Notional Amount		Fair Value	
2009	Ps.	161	Ps.	(16)
2010		1,339		(159)

f) Unhedged Cross Currency Swaps:

As of December 31, 2005 there are certain cross currency swaps instruments that do not meet the hedging criteria for accounting purposes; consequently changes in the estimated fair value were recorded in the income statement. The table below shows the characteristics of these instruments.

	Maturity Date	Notional Amount		Fair Value	
Mexican pesos to U.S. dollars	2008	Ps.	1,251	Ps.	22
U.S. dollars to Colombian pesos	2008		1,232		(16)

g) Commodity Price Contracts:

The Company entered into various commodity price contracts to hedge the cost of certain raw materials. The result of the commodity price contracts was a loss of Ps. 25, a gain of Ps. 3 and Ps. 3 during the years ended December 31, 2005, 2004 and 2003, respectively, which were recorded in results of operations. The fair value is estimated based on quoted market prices to terminate the contracts at the day of the most recent balance sheet presented. As of December 31, 2005, the Company has a commodity price contract with maturity date ending in 2010, notional amount of Ps. 750 and a fair value loss of Ps. 118.

h) Embedded Derivative Instruments:

The Company has determined that its leasing contracts denominated in U.S. dollars host an embedded derivative instrument and as of December 31, 2005 has recognized the fair value of such instruments amounting to Ps. 57 which is recorded in the income statement as a foreign exchange gain.

Note 19. Minority Interest in Consolidated Subsidiaries

		2005		2004
Mexico	**Ps.**	**816**	Ps.	647
Central America		**28**		3
Colombia		**70**		17
Brazil		**45**		73
	Ps.	**959**	Ps.	740

On June 8, 2004, by a capital contribution, Winsa Company LLP acquired a 16.89% voting equity interest in an indirect subsidiary of Coca-Cola FEMSA, which is the holding company for its subsidiaries in Brazil, for Ps. 677.

Note 20. Stockholders' Equity

As of December 31, 2005, the capital stock of Coca-Cola FEMSA was comprised of 1,846,530,000 common shares, without par value and with no foreign ownership restrictions. Fixed capital amounts to Ps. 821 (nominal value) and the 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" are ordinary, have unlimited voting rights, are subject to transfer restrictions, and at all times must represent a minimum of 76% of subscribed capital stock.
- Series "A" shares may only be acquired by Mexican individuals and may not represent less than 51% of the ordinary shares.
- Series "D" shares have no foreign ownership restrictions and cannot exceed 49% of the ordinary shares.
- Series "L" shares have no foreign ownership restrictions and have limited voting and other corporate rights.

In addition, 98,684,000 series "L" shares have been authorized and issued but not subscribed.

As of December 31, 2005, Coca-Cola FEMSA's capital stock is comprised as follows:

Series of shares	Thousands of shares
A	844,078
D	731,546
L	270,906
Total shares	1,846,530

The restatement of stockholders' equity for inflation is allocated to each of the various stockholders' equity accounts, as follows:

	Historical Value	Restatement	Restated Value
Capital stock	Ps. 821	Ps. 2,065	Ps. 2,886
Additional paid-in capital	9,706	2,643	12,349
Retained earnings	13,072	4,266	17,338
Net majority income	4,486	100	4,586

During August 2004, the Company conducted a rights offering to allow existing holders of the Series L Shares to acquire newly-issued Series L Shares. The purpose of the rights offering was to permit holders of Series L Shares to subscribe on a proportionate basis at the same price per share at which FEMSA and The Coca-Cola Company subscribed in connection with the Panamco acquisition. The rights offering expired on September 1, 2004. The increase in capital stock and additional paid-in capital, net of the related expenses, was Ps. 3, represented by 156,000 Series L Shares.

The net income of the Company is not subject to the legal requirement that 5% thereof be transferred to a legal reserve since such reserve equals 20% of capital stock at nominal value. This reserve may not be distributed to stockholders during the existence of the Company, except as a stock dividend. As of December 31, 2005, this reserve for Coca-Cola FEMSA amounted to Ps. 164 (nominal value).

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect, except for the restated stockholder contributions and distributions made from consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta" ("CUFIN") or from reinvested consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta Reinvertida" ("CUFINRE").

Dividends paid in excess of CUFIN and CUFINRE are subject to income tax at a grossed-up rate based on the current statutory rate. Beginning 2003, this tax may be credited against the income tax of the year in which the dividends are paid and in the following two years against the income tax and estimated tax payments. As of December 31, 2005, the balances of CUFIN and CUFINRE amounted to Ps. 2,129 and Ps. 1,552, respectively.

At an ordinary stockholders' meeting of Coca-Cola FEMSA held on March 8, 2005, the stockholders approved a dividend of Ps. 636 that was paid in May 2005.

At an ordinary stockholders' meeting of Coca-Cola FEMSA held on March 9, 2004, the stockholders approved a dividend of Ps. 557 that was paid in May 2004 and a maximum of Ps. 400 (nominal value) for a stock repurchase program.

Note 21. Net Majority Income per Share

This represents the net majority 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 period.

Note 22. Tax System

a) Income Tax:

Income tax is computed on taxable income, which differs from accounting income principally due to the treatment of the integral result of financing, the cost of labor liabilities, depreciation and other accounting provisions. The tax loss may be carried forward and applied against future taxable income.

The income tax rates applicable in 2005 in the countries where the Company operates and the years in which tax loss carry-forwards may be applied are as follows:

	Statutory Tax Rate	Expiration (years)
Mexico	30.0%	10
Guatemala	31.0%	N/A
Nicaragua	30.0%	3
Costa Rica	30.0%	3
Panama	30.0%	5
Venezuela	34.0%	3
Colombia	38.5%	5-8
Brazil	34.0%	Indefinite
Argentina	35.0%	5

The statutory income tax rate in Mexico for the years ended December 31, 2005, 2004 and 2003 was 30%, 33% and 34%, respectively.

Beginning January 1, 2005, an amendment to the income tax rate in Mexico was effective and its principal changes were as follows:

- The statutory income tax rate decreased to 30% in 2005, and it will be reduced by one percentage point per year through 2007, down to 28%;
- The tax deduction for inventories is made through cost of sales, and the inventory balance as of December 31, 2004 will be taxable during the next 4 to 12 years, based on specific criteria within the tax law; and
- Paid employee profit sharing is deductible for income tax purposes.

The tax loss carryforward in other countries includes the following criteria:

- Colombia: Those generated before December 31, 2002, may be carried forward for next five years and those generated after January 1, 2003 may be carried forward eight years both are limited to 25% of taxable income of each year;
- Brazil: Tax losses may be carried forward for an indefinite period, cannot be restated and are limited to 30% of the taxable income of each year.

b) Tax on Assets:
The operations in Mexico, Guatemala, Nicaragua, Colombia, Venezuela and Argentina are subject to 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 tax restated value less certain liabilities. The tax on assets is paid only to the extent that it exceeds the income tax of the year. If in any year a tax on assets payment is required, this amount can be credited against the excess of income taxes future payments over the tax on assets in each 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 10 years. Since January 1, 2005, based on the amendment made to the tax law, bank loans and foreign debt will be deducted to determine the taxable base of the tax on assets.

In Guatemala until December 31, 2003 there was an alternative minimum tax ("IEMA") equivalent to the lower of 2.25% of the prior years revenues or 3.5% of total assets as of the beginning of the year, which was paid only to the extent that it exceeded the income taxes of the year. If in any year a payment of IEMA was required, this amount was credited against the excess of income taxes over the IEMA of the following year. Such alternative minimum tax was declared unconstitutional on February 2, 2004.

On July 1, 2004, the tax reforms were approved and published by the Congress of the Republic of Guatemala through Decree 18-04 Reforms to the Income Tax and Decree 19-04 the Law of the Extraordinary and Temporary Tax of Support to the Peace Accords (Impuesto Extraordinario y Temporal de Apoyo a los Acuerdos de Paz - IETAAP). The main effects of said decrees were the following:

- The effect of a new IETAAP tax, which will be calculated on 2.5% of either of the following two bases: (a) one fourth of the net assets or (b) one fourth of the gross income. In the event assets are more than four times gross income, the tax will be paid on the income basis. This tax may be credited against income tax during the following three calendar years. The rate of this tax gradually decreases; it will be 1.25% from January 2005 to June 2006 and 1% from July 2006 to December 2007. During the year 2004, the rate was reduced by 50% if the tax was paid in a month before its due date (September and December 2004).

- Implementation of a new general income tax regimen under which companies will pay 5% on their monthly taxable income as a definitive payment. The companies subject to this regimen are not subject to IETAAP. Additionally, there exists an optional regimen of 31% on taxable income. The operation in Guatemala selected the optional regimen of 31%.

In Nicaragua the tax on assets results from applying a 1% rate to total tax assets as of the end of the year, and it is paid only to the extent that it exceeds the income taxes of the year. If in any year a tax on assets payment is required, this tax is definitive and may not be credited in future years.

In Colombia the tax on assets results from applying a 6% rate to net tax assets as of the beginning of the year to determine the basis for the alternative minimum tax, equivalent to 38.5% of such basis. This tax is paid only to the extent that it exceeds the income taxes of the year. If a tax on assets payment was required in 2001 or 2002, the amount may be credited against the excess of income taxes over the tax on assets in the following three years. If a tax on assets payment is required subsequent to 2002, the amount may be credited against the excess of income taxes over the tax on assets in the following five years.

In Venezuela the tax on assets results from applying a 1% rate to the net average amount of nonmonetary assets adjusted for inflation and monetary assets adjusted for inflation. The tax on assets is paid only to the extent that it exceeds the income tax of the year. If in any year a tax on assets payment is required, this amount may be credited against the excess of income taxes over the tax on assets in the following three years.

The tax laws in Argentina established a Tax on Minimum Presumptive Income ("TMPI") that results from applying a rate of 1% to certain productive assets, and it is paid only to the extent that it exceeds the income taxes of the year. If in any year a payment is required, this amount may be credited against the excess of income taxes over the TMPI in the following 10 years.

c) Employee Profit Sharing:
Employee profit sharing is applicable to Mexico and Venezuela. In Mexico, employee profit sharing is computed at the rate of 10% of the individual taxable income, except that depreciation of historical rather than restated values is used, foreign exchange gains and losses are not included until the asset is disposed of or the liability is due, and other effects of inflation are also excluded. In Venezuela, employee profit sharing is computed at a rate equivalent to 15% of after tax earnings.

d) Deferred Income Tax and Employee Profit Sharing:

The temporary differences that generated deferred income tax liabilities (assets) are as follows:

Deferred Income Taxes		2005		2004
Inventories	Ps.	111	Ps.	307
Property, plant and equipment[1]		1,650		1,564
Investment in shares		8		9
Intangible and other assets		(212)		(263)
Labor costs		(115)		(82)
Tax loss carryforwards		(620)		(717)
Other reserves		(1,049)		(891)
Deferred income tax, net		(227)		(73)
Deferred income tax asset		1,221		1,503
Deferred income tax liability	Ps.	994	Ps.	1,430

(1) Includes breakage of returnable bottles and cases.

The changes in the balance of deferred income tax, net, are as follows:

		2005		2004
Initial balance	Ps.	(73)	Ps.	151
Provision for the year		(90)		(239)
Change in the statutory income tax rate		24		55
Result of holding non-monetary assets		(88)		(40)
Ending balance	Ps.	(227)	Ps	(73)

At December 31, 2005, there are no significant non-recurring temporary differences between the accounting income for the period and the bases used for Mexican employee profit sharing. As a result, the Company did not record a provision for deferred employee profit sharing.

e) Provision for the Year

		2005		2004		2003
Current income tax	Ps.	2,427	Ps.	2,411	Ps.	1,080
Deferred income tax		(90)		(239)		522
Change in the statutory income tax rate		(57)		55		-
Benefit from favorable tax ruling		-		(1,355)		-
Income tax		2,280		872		1,602
Employee profit sharing		282		270		241
	Ps.	2,562	Ps.	1,142	Ps.	1,843

f) Tax Loss Carryforwards and Recoverable Tax on Assets:

As of December 31, 2005, the subsidiaries from Mexico, Panama, Colombia, Venezuela and Brazil have tax loss carryforwards and/or recoverable tax on assets. The expiration dates of such amounts are as follows:

Year		Tax Loss Carryforwards		Recoverable Tax on Assets
2006	Ps.	272	Ps.	13
2007		316		20
2008		367		-
2009		420		34
2010		1,755		-
2011 and thereafter		51		-
	Ps.	3,181	Ps.	67

Due to the uncertainty of the realization of certain tax loss carryforwards a valuation allowance of the carryforward of Ps. 1,341 has been recorded.

The changes in the balance are as follows:

	2005	2004
Initial balance	Ps. 1,349	Ps. 1,740
Restatement of initial balance	(83)	(183)
Provision of the year	74	400
Cancellation of provision	1	(608)
Ending balance	Ps. 1,341	Ps. 1,349

Additionally the recoverable tax on assets has been fully reserved.

g) Reconciliation of Mexican Statutory Income Tax Rate to Consolidated Effective Income Tax Rate:

	2005	2004	2003
Mexican statutory income tax rate	30.00%	33.00%	34.00%
Gain from monetary position	(3.36)	(7.65)	(6.26)
Non recurring gain on tax lawsuit	-	(20.20)	-
Inflationary component	3.38	7.28	6.16
Non-deductible expenses	0.62	2.33	3.18
Income taxed at other than Mexican statutory rate	1.61	0.25	(0.83)
Effect of change in Mexican statutory rate	(0.97)	(2.65)	-
Other	0.19	0.56	0.31
Consolidated effective income tax rate	31.47%	12.92%	36.56%

Note 23. Contingencies and Commitments

a) Contingencies Recorded in the Balance Sheet:

The Company has various loss contingencies, and reserves have been recorded as other liabilities in those cases where the Company believes an unfavorable resolution is probable. Most of these loss contingencies were recorded as a result of the Panamco acquisition. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2005:

	Short-Term	Long-Term	Total
Tax	Ps. 4	Ps. 1,364	Ps. 1,368
Legal	-	168	168
Labor	63	219	282
Total	Ps. 67	Ps. 1,751	Ps. 1,818

b) Unsettled Lawsuits:

The Company has entered into legal proceedings with its labor unions and tax authorities. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. The aggregate amount of these proceedings is $ 81. Those contingencies were classified by legal counsel as less than probable but more than remote of being settled against the Company. However, the Company believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations.

In recent years, the Company's Mexican, Costa Rican and Brazilian territories it have been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the beer and soft drink industries where the Company operates.

In 2001, a labor union and several individuals from the Republic of Colombia filed a lawsuit in the U.S. District Court for the Southern Division of Florida against certain Colombian subsidiaries and The Coca-Cola Company. In the complaint, the plaintiffs alleged that the subsidiaries engaged in wrongful acts against the labor union and its members in Colombia for the amount of $ 500. The Company has filed a motion to dismiss the complaint and believes the resolution of this matter will not have a material adverse effect on its consolidated financial position or results of operations.

c) Commitments:

As of December 31, 2005, the Company has capital and operating lease commitments for the leasing of distribution equipment, and computer equipment.

The contractual maturities of the lease commitments by currencies, expressed in Mexican pesos as of December 31, 2005, are as follows:

	2006	2007	2008	2009	2010	2011 and thereafter	Total
Mexican pesos	Ps. 257	Ps. 214	Ps. 174	Ps. 137	Ps. 127	Ps. 105	Ps. 1,014
Argentine pesos	4	-	-	-	-	-	4
Guatemalan quetzals	2	-	-	-	-	-	2
Nicaraguan cordobas	1	-	-	-	-	-	1
Costa Rican colons	3	-	-	-	-	-	3
Brazilian reals	47	50	53	56	138	-	344

Rental expense charged to operations amounted to approximately Ps. 586, Ps. 317 and Ps. 178 for the years ended December 31, 2005, 2004 and 2003, respectively.

Note 24. Information by Segment

2005	Total Revenue	Capital Expenditures	Long-term Assets	Total Assets
Mexico	**Ps. 28,705**	**Ps. 1,021**	**Ps. 40,358**	**Ps. 44,210**
Central America[1]	**3,428**	**145**	**4,614**	**5,568**
Colombia	**4,697**	**296**	**5,893**	**8,236**
Venezuela	**4,946**	**285**	**3,416**	**4,145**
Brazil	**5,819**	**179**	**4,270**	**6,297**
Argentina	**2,798**	**86**	**1,234**	**1,770**
Consolidation adjustments	**(195)**	**-**	**(59)**	**(3,078)**
Consolidated	**Ps. 50,198**	**Ps. 2,012**	**Ps. 59,726**	**Ps. 67,148**

2004	Total Revenue	Capital Expenditures	Long-term Assets	Total Assets
Mexico	Ps. 27,474	Ps. 1,140	Ps. 40,531	Ps. 46,435
Central America[1]	3,526	164	5,005	6,039
Colombia	4,294	126	5,943	8,178
Venezuela	4,683	235	3,486	4,248
Brazil	5,195	287	4,177	5,756
Argentina	2,614	57	1,298	2,014
Consolidation adjustments	-	-	-	(3,052)
Consolidated	Ps. 47,786	Ps. 2,009	Ps. 60,440	Ps. 69,618

2003	Total Revenue	Capital Expenditures
Mexico	Ps. 25,719	Ps. 1,625
Central America[1]	2,314	155
Colombia	2,920	1
Venezuela	2,827	50
Brazil	3,041	218
Argentina	2,241	115
Consolidated	Ps. 39,062	Ps. 2,164

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

Note 25. 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 majority net income, majority stockholders' equity and majority comprehensive income to U.S. GAAP is presented in Note 26.

It should be noted that this reconciliation to U.S. GAAP does not include the reversal of the restatement of the financial statements as required by Bulletin B-10, "Reconocimiento de los Efectos de Inflación en la Información Financiera" (Recognition of the Effects of Inflation in the Financial Information), of Mexican GAAP. The application of this Bulletin 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 in Mexican pesos for both Mexican and U.S. accounting purposes.

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

a) Restatement of Prior Years Financial Statements:
As explained in Note 5 a), in accordance with Mexican GAAP, the financial statements for Mexican subsidiaries for prior years were restated using Mexican inflation factors, and for foreign subsidiaries and affiliated companies for prior years were restated using the inflation rate of the country in which the foreign subsidiary or affiliated company is located, then translated to Mexican pesos at the year-end exchange rate.

Under U.S. GAAP, the Company applies the regulations of the Securities and Exchange Commission of the United States of America ("SEC"), which require that prior year financial statements be restated in constant units of the reporting currency, in this case the Mexican pesos, which requires the restatement of such prior year amounts using Mexican inflation factors.

Additionally, all other U.S. GAAP adjustments for prior years have been restated upon the SEC methodology.

b) Classification Differences:
Certain items require a different classification in the balance sheet or income statement under U.S. GAAP, these include:

- As explained in Note 5 c), under Mexican GAAP, advances to suppliers are recorded as inventories. Under U.S. GAAP advances to suppliers are classified as prepaid expenses;
- Impairment of intangible and other long-lived assets, the gains or losses on the disposition of fixed assets, all severance indemnity charges and employee profit sharing must be included in operating expenses under U.S. GAAP;
- Under Mexican GAAP, deferred taxes are classified as non-current, while under U.S. GAAP they are based on the classification of the related asset or liability;
- Under Mexican GAAP, leasehold improvements are recorded in other assets, while under U.S. GAAP they are classified as property, plant and equipment.

c) Deferred Promotional Expenses:
As explained in Note 5 d), 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, such promotional costs are expensed as incurred.

d) Intangible Assets:
As mentioned in Note 5 i), under Mexican GAAP, until January 1, 2003, all intangible assets were amortized over a period of no more than 20 years. Effective January 1, 2003, revised Bulletin C-8, "Activos Intangibles" (Intangible Assets), went into effect and recognizes that certain intangible assets (excluding goodwill) have indefinite lives and should not be amortized. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", (effective January 1, 2002), goodwill and indefinite-lived intangible assets are also no longer subject to amortization, but rather are subject to periodic assessment for impairment. Accordingly, amortization of goodwill and indefinite-lived intangible assets was discontinued in 2002 for U.S. GAAP and in 2003 for Mexican GAAP.

As a result of the adoption of SFAS No. 142, the Company performed an initial impairment test as of January 1, 2002 and found no impairment. Subsequent impairment tests are performed annually by the Company, unless an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In such case an impairment test would be performed between annual tests.

e) Restatement of Imported Equipment:
As explained in Note 5 e), under Mexican GAAP, imported machinery and equipment have been restated by applying the inflation rate of the country of origin and translated into Mexican pesos using the exchange rate in effect at the date of the most recent balance sheet presented.

Under U.S. GAAP, the Company applies the regulations of the SEC, which require that all machinery and equipment, both domestic and imported, be restated using local inflation factors.

f) Capitalization of the Integral Result of Financing:
Under Mexican GAAP, the capitalization of the integral result of financing (interest, foreign exchange and monetary position) generated by loan agreements obtained to finance investment projects is optional, and the Company has elected not to capitalize the integral result of financing.

In accordance with SFAS No. 34, "Capitalization of Interest Cost", if the integral result of financing 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 result of financing is included in the U.S. GAAP reconciliation of the majority net income and majority stockholders' equity. If the borrowings are denominated in U.S. 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 interest to be capitalized as noted above is reduced by the gain on monetary position associated with the debt.

g) Derivative Financial Instruments:
As of January 1, 2005, in accordance with Mexican GAAP, as mentioned in Note 5 q), the Company values and records all derivative instruments and hedging activities according to Bulletin C-10, "Instrumentos Financieros Derivados y Operaciones de Cobertura" (Derivative Financial Instruments and Hedging Activities), which establishes similar accounting treatment as described in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

For purposes of SFAS No. 133, the Company elected not to designate its derivative financial instruments as hedges for accounting purposes, and accordingly, the entire effect of the mark to market of those instruments entered into contracted before December 31, 2000 was recognized in the income statement at January 1, 2001.

The effects of the initial application of Bulletin C-10 were already reflected in the U.S. GAAP financial statements for 2004. Therefore, the cumulative effect of the change in accounting principle is reconciled out of the amounts presented in the U.S. GAAP income statement for 2005.

h) Deferred Income Tax and Employee Profit Sharing:
The Company calculates its deferred income tax and employee profit sharing in accordance with SFAS No. 109, "Accounting for Income Taxes," for U.S. GAAP purposes, which differs from Mexican GAAP as follows:

- Under Mexican GAAP, the effects of inflation on the deferred tax balance generated by monetary items are recognized in the result of monetary position. Under U.S. GAAP, the deferred tax balance is classified as a non-monetary item. As a result, the consolidated income statement differs with respect to the presentation of the gain (or loss) on monetary position and deferred income tax provision;

- Under Mexican GAAP, deferred employee profit sharing is calculated considering only those temporary differences that arise during the year and which are expected to reverse within a defined period, while under U.S. GAAP, the same liability method used for deferred income tax is applied; and

- The differences in deferred promotional expenses, restatement of imported machinery and equipment, the capitalization of financing results, derivative instruments and pension plan mentioned in Note 25 c), e), f), g) and i) generate a difference when calculating the deferred income tax under U.S. GAAP compared to that presented under Mexican GAAP (see Note 22 a).

As explained in Note 22 a), beginning in 2005, the employee profit sharing will be deductible for income tax purposes in Mexico. This new deduction will reduce the payments of income tax in subsequent years. Therefore, the Company recorded an additional reduction to the deferred income tax liability under U.S. GAAP in the amount of Ps.114 due to the future tax deduction of the deferred employee profit sharing.

The reconciliation of deferred income tax and employee profit sharing, as well as the changes in the balances of deferred taxes, are as follows:

Reconciliation of Deferred Income Tax, net		2005		2004
Deferred income tax, net, under Mexican GAAP	Ps.	(227)	Ps.	(73)
U.S. GAAP adjustments:				
Deferred promotional expenses		(12)		(15)
Restatement of imported equipment and capitalization of financing results		161		42
Derivative financial instruments		-		43
Labor liabilities		(1)		1
Severance indemnities		(46)		-
Tax deduction for employee profit sharing		(114)		(133)
Total U.S. GAAP adjustments		(12)		(62)
Restatement of prior year financial statements		-		101
Deferred income tax, net, under U.S. GAAP	Ps.	(239)	Ps.	(34)

The total deferred income tax under U.S. GAAP includes the corresponding current portion net asset as of December 31, 2005 and 2004 of Ps. 253 and Ps. (442), respectively.

Changes in the Balance of Deferred Income Tax, net		2005		2004
Initial balance	Ps.	(34)	Ps.	327
Provision of the year		(94)		(481)
Other cumulative comprehensive income		(111)		75
Effects of inflation		-		45
Ending balance	Ps.	(239)	Ps.	(34)

Reconciliation of Deferred Employee Profit Sharing, net		2005		2004
Deferred employee profit sharing, net, under Mexican GAAP	Ps.	-	Ps.	-
U.S. GAAP adjustments:				
Other reserves		(53)		(55)
Inventories		38		103
Property, plant and equipment, net		477		469
Deferred charges		(17)		(8)
Labor liabilities		(38)		(32)
Severance indemnities		(12)		-
Total U.S. GAAP adjustments		395		477
Deferred employee profit sharing, net, under U.S. GAAP	Ps.	395	Ps.	477

The total deferred employee profit sharing under U.S. GAAP includes the corresponding current portion net (asset) liability as of December 31, 2005 and 2004 of Ps. (15) and Ps. 48, respectively.

Changes in the Balance of Deferred Employee Profit Sharing, net		2005		2004
Initial balance	Ps.	477	Ps.	534
Provision for the year		(82)		(56)
Effects of inflation		-		(1)
Ending balance	Ps.	395	Ps.	477

i) Pension Plan:

Under Mexican GAAP, the liabilities for employee benefits are determined using actuarial computations in accordance with Bulletin D-3 which is substantially the same as SFAS No. 87, "Employers' Accounting for Pensions," except for the initial year of application of both standards, which generates a difference in the unamortized net transition obligation and in the amortization expense.

In January 1997, as a result of the application of inflationary accounting, Mexican GAAP determined that labor obligations are non-monetary liabilities and required the application of real, instead of nominal, interest rates in actuarial calculations. These changes required recalculation of the accumulated transition obligation, and the difference in the transition obligation represents the sum of the actuarial gains or losses since the first year that labor obligations have been calculated.

The Company uses the same real interest rate for both U.S. GAAP and Mexican GAAP. As a result, the transition obligation has been recalculated and the difference is being amortized over the average life of employment (14 years) of the Company.

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

Under Mexican GAAP, as mentioned in Note 5 l), effective in 2005 revised Bulletin D-3 requires the recognition of a severance indemnity liability calculated based on actuarial computations. The same recognition criteria under U.S. GAAP is established in SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which has been effective since 1994. The Company had not previously recorded an amount under U.S. GAAP as it believed that an obligation could not be reasonably quantified.

Beginning in 2005, the Company applies the same considerations as required by Mexican GAAP to recognize the severance indemnity liability for U.S. GAAP purposes. However, the Company believes an obligation should have been recorded since the effective date of SFAS No. 112. The cumulative effect of the severance obligation related to vested services has been recorded in the 2005 income statement since the effect is not considered to be quantitatively or qualitatively material to the Company's consolidated U.S. GAAP financial statements taken as a whole. In addition, the transition obligation has not been recorded for U.S. GAAP purposes.

The Company has prepared a study of pension costs under U.S. GAAP based on actuarial calculations using the same assumptions applied under Mexican GAAP (see Note 15).

The reconciliation of the net pension cost and pension liability, is as follows:

Net Pension Cost		**2005**		2004		2003
Net pension cost recorded under Mexican GAAP	**Ps.**	**64**	Ps.	56	Ps.	40
U.S. GAAP adjustments:						
Amortization of unrecognized transition obligations		**1**		4		2
Net pension cost under U.S. GAAP	**Ps.**	**65**	Ps.	60	Ps.	42

Pension Liability		**2005**		2004
Pension liability under Mexican GAAP	**Ps.**	**575**	Ps.	611
U.S. GAAP adjustments:				
Unrecognized net transition obligation		**5**		(5)
Restatement of prior year financial statements		**-**		(3)
Pension liability under U.S. GAAP	**Ps.**	**580**	Ps.	603

The reconciliation of the net severance indemnity cost and severance indemnity liability, is as follows:

Net Severance Indemnity Cost		2005		2004		2003
Net severance indemnity cost recorded under Mexican GAAP	**Ps.**	**50**	Ps.	-	Ps.	-
U.S. GAAP adjustments:						
Amortization of unrecognized transition obligations		**155**		-		-
Net severance indemnity cost under U.S. GAAP	**Ps.**	**205**	Ps.	-	Ps.	-

Severance Indemnity Liability		2005		2004
Severance indemnity liability under Mexican GAAP	**Ps.**	**147**	Ps.	-
U.S. GAAP adjustments:				
Unrecognized net transition obligation		**155**		-
Cancellation of the additional labor liability recorded in Mexican GAAP		**(142)**		-
Severance indemnity liability under U.S. GAAP	**Ps.**	**160**	Ps.	-

j) Minority Interest:

Under Mexican GAAP, the minority interest in consolidated subsidiaries is presented as a separate component within stockholders' equity in the consolidated balance sheet.

Under U.S. GAAP, this item must be excluded from consolidated stockholders' equity in the consolidated balance sheet. Additionally, the minority interest in the net earnings of consolidated subsidiaries is excluded from consolidated net income.

The U.S. GAAP adjustments shown in Note 26 a) and b) are calculated on a consolidated basis. The minority interest effect over those adjustments is not material.

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, "Estado de Cambios en la Situación Financiera" (Statement of Changes in Financial Position), which identifies the generation and application of resources by the differences between beginning and ending financial statement balances in constant Mexican pesos. Bulletin B-12 also requires that monetary and foreign exchange gains and losses be treated as cash items for the determination of resources generated by operations.

In accordance with U.S. GAAP, the Company follows SFAS No. 95, "Statement of Cash Flows," which is presented in historical Mexican pesos, without the effects of inflation (see Note 25 l).

l) Financial Information Under U.S. GAAP:

Consolidated Balance Sheets		2005		2004
ASSETS				
Current Assets:				
Cash and cash equivalents	**Ps.**	**1,958**	Ps.	3,723
Accounts receivable		**2,523**		2,174
Inventories		**2,127**		2,234
Recoverable taxes		**464**		747
Other current assets		**312**		130
Deferred income taxes and employee profit sharing		**268**		748
Total current assets		**7,652**		9,756
Property, plant and equipment, net		**19,093**		19,655
Deferred income taxes		**1,195**		1,264
Investment in shares		**441**		432
Other assets		**1,673**		1,650
Intangible assets		**37,722**		37,429
TOTAL ASSETS	**Ps.**	**67,776**	Ps.	70,186
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Bank loans	**Ps.**	**618**	Ps.	215
Current maturities of long-term debt		**3,810**		3,166
Interest payable		**326**		324
Suppliers		**4,616**		4,282
Deferred income taxes and employee profit sharing		**-**		354
Taxes payable		**933**		1,366
Accounts payable, accrued expenses and other liabilities		**1,797**		1,688
Total current liabilities		**12,100**		11,395
Long-Term Liabilities:				
Bank loans and notes payable		**15,673**		22,439
Labor liabilities		**798**		661
Deferred income taxes		**1,209**		1,672
Other liabilities		**3,286**		3,043
Total long-term liabilities		**20,966**		27,815
Total liabilities		**33,066**		39,210
Minority interest in consolidated subsidiaries		**959**		733
Stockholders' equity		**33,751**		30,243
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps.**	**67,776**	Ps.	70,186

Consolidated Statements of Comprehensive Income	2005	2004	2003
Net sales	**Ps. 49,840**	Ps. 47,096	Ps. 37,702
Other operating revenues	**358**	333	385
Total revenues	**50,198**	47,429	38,087
Cost of sales	**25,738**	24,254	19,063
Gross profit	**24,460**	23,175	19,024
Operating expenses:			
Administrative	**2,862**	2,841	2,106
Selling	**13,520**	12,802	9,856
	16,382	15,643	11,962
Income from operations	**8,078**	7,532	7,062
Integral result of financing:			
Interest expense	**2,452**	2,615	1,663
Interest income	**(280)**	(275)	(247)
Foreign exchange (gain) loss	**(223)**	74	2,204
Gain on monetary position	**(813)**	(1,591)	(947)
	1,136	823	2,673
Other expenses, net	**84**	165	193
Income before income tax	**6,858**	6,544	4,196
Income tax	**2,285**	595	1,676
Income before minority interest	**4,573**	5,949	2,520
Minority interest in results of consolidated subsidiaries	**(118)**	(24)	(22)
Net income	**4,455**	5,925	2,498
Other comprehensive income	**(311)**	906	691
Comprehensive income	**Ps. 4,144**	Ps. 6,831	Ps. 3,189
Net income per share(1)	**2.41**	3.21	1.47

(1) Expressed in constant Mexican pesos.

Consolidated Cash Flows[1]	2005	2004	2003
Cash flows from operating activities:			
Net income	Ps. 4,455	Ps. 5,925	Ps. 2,498
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Minority interest	118	24	22
Inflation effect	(193)	(485)	(324)
Depreciation	1,332	1,142	1,559
Deferred income taxes	(94)	(476)	338
Amoritization and other non-cash charges	(54)	(344)	909
Changes in operating assets and liabilities:			
Working capital investment	(259)	1,012	(2,552)
Interest payable	12	(62)	169
Labor obligations	(188)	(64)	(34)
Net cash flows from operating activities	5,129	6,672	2,585
Cash flows (used in) investing activities:			
Panamerican Beverages, Inc. acquisition	-	-	(29,192)
Property, plant and equipment, net	(1,171)	(1,310)	(1,915)
Other assets	(883)	(539)	-
Net cash flows used in investing activities	(2,054)	(1,849)	(31,107)
Cash flows from financing activities:			
Bank loans	(4,556)	(3,992)	15,890
Increase in capital	-	3	9,585
Dividends declared and paid	(620)	(521)	-
Other financing activities	456	507	(974)
Net cash flows (used in) generated by financing activities	(4,720)	(4,003)	24,501
Cash and cash equivalents:			
Net (decrease) increase	(1,645)	820	(4,021)
Cash received in Panamco acquisition	-	-	633
Initial balance	3,603	2,783	6,171
Ending balance	Ps. 1,958	Ps. 3,603	Ps. 2,783
Supplemental cash flow information:			
Interest paid	Ps. 2,187	Ps. 2,268	Ps. 1,125
Income tax and tax on assets paid	2,718	1,833	1,589

(1) Expressed in millions of historical Mexican pesos.

Consolidated Statements of Changes in Stockholders' Equity	2005	2004
Stockholders' equity at the beginning of the year	Ps. 30,243	Ps. 23,966
Increase in capital	-	3
Dividends declared and paid	(636)	(557)
Other comprehensive income:		
Cumulative translation adjustment	(41)	104
Restatement of prior year financial statements	35	302
Gain (loss) on cash flow hedges	(386)	200
Additional labor liability over unrecognized net transition obligation	3	(24)
Result of holding non-monetary assets	78	324
Total other comprehensive income	(311)	906
Net income	4,455	5,925
Stockholders' equity at the end of the year	Ps. 33,751	Ps. 30,243

Note 26. Reconciliation of Mexican GAAP to U.S. GAAP

a) Reconciliation of Net Income:

	2005	2004	2003
Net majority income under Mexican GAAP	**Ps. 4,586**	Ps. 5,580	Ps. 2,520
U.S. GAAP adjustments:			
Restatement of prior year financial statements (Note 25 a)	**-**	41	(7)
Restatement of imported equipment (Note 25 e)	**(35)**	(6)	8
Capitalization of the integral result of financing (Note 25 f)	**(12)**	(6)	(6)
Derivative financial instruments (Note 25 g)	**(31)**	(35)	8
Deferred income taxes (Note 25 h)	**4**	233	126
Deferred employee profit sharing (Note 25 h)	**82**	56	(39)
Labor cost (Note 25 i)	**(1)**	(4)	(2)
Severance indemnities (Note 25 i)	**(155)**	-	-
Deferred promotional expenses (Note 25 c)	**17**	66	(110)
Total U.S. GAAP adjustments	**(131)**	345	(22)
Net income under U.S. GAAP	**Ps. 4,455**	Ps. 5,925	Ps. 2,498

Under U.S. GAAP, the monetary position effect of the income statement adjustments is included in each adjustment, except for the capitalization of the integral result of financing and intangible assets as well as pension plan liabilities, which are non-monetary.

b) Reconciliation of Stockholders' Equity:

	2005	2004
Majority stockholders' equity under Mexican GAAP	**Ps. 33,768**	Ps. 30,415
U.S. GAAP adjustments:		
Restatement of prior year financial statements (Note 25 a)	**-**	(35)
Intangible assets (Note 25 d)	**42**	42
Restatement of imported machinery and equipment (Note 25 e)	**463**	71
Capitalization of the integral result of financing (Note 25 f)	**59**	71
Deferred income taxes (Note 25 h)	**12**	62
Deferred employee profit sharing (Note 25 h)	**(395)**	(477)
Deferred promotional expenses (Note 25 c)	**(38)**	(55)
Derivative financial instruments (Note 25 g)	**-**	144
Pension liability (Note 25 i)	**(5)**	5
Severance indemnities (Note 25 i)	**(155)**	-
Total U.S. GAAP adjustments	**(17)**	(172)
Stockholders' equity under U.S. GAAP	**Ps. 33,751**	Ps. 30,243

c) Reconciliation of Comprehensive Income:

	2005	2004	2003
Majority comprehensive income under Mexican GAAP	**Ps. 3,989**	Ps. 5,960	Ps. 3,378
U.S. GAAP adjustments:			
Net income (loss)	**(131)**	345	(22)
Derivative financial instruments	**(144)**	200	(73)
Restatement of prior year financial statements	**35**	347	266
Result of holding non-monetary assets	**395**	(21)	(360)
Comprehensive income under U.S. GAAP	**Ps. 4,144**	Ps. 6,831	Ps. 3,189

Note 27. Future Impact of Recently Issued Accounting Standards Not Yet in Effect

a) In Mexican GAAP:

As of May 31, 2004, the Mexican Institute of Public Accountants ("IMCP") formally transferred the function of establishing and issuing financial reporting standards to the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF"), consistent with the international trend of requiring this function be performed by an independent entity.

Accordingly, the task of establishing bulletins of Mexican GAAP and circulars issued by the IMCP was transferred to CINIF, who subsequently renamed standards of Mexican GAAP as "Normas de Información Financiera" (Financial Reporting Standards, or "NIFs"), and determined that NIFs encompass (i) new bulletins established under the new function; (ii) any interpretations issued thereon; (iii) any Mexican GAAP bulletins that have not been amended, replaced or revoked by the new NIFs; and (iv) International Financial Reporting Standards ("IFRS") that are supplementary guidance to be used when Mexican GAAP does not provide primary guidance.

One of the main objectives of CINIF is to attain greater concurrence with IFRS. To this end, it started by reviewing the theoretical concepts contained in Mexican GAAP and establishing a Conceptual Framework ("CF") to support the development of financial reporting standards and to serve as a reference in solving issues arising in the accounting practice. The CF is formed by eight financial reporting standards, which comprise the NIF-A series. The NIF-A series, together with NIF B-1, were issued on October 31, 2005. Their provisions are effective for years beginning January 1, 2006, superseding all existing Mexican GAAP series A bulletins.

The most significant changes established by these standards are as follows:

- In addition to the statement of changes in financial position, NIF A-3 includes the statement of cash flows, which should be issued when required by a particular standard.
- NIF A-5 includes a new classification for revenues and expenses: ordinary and extraordinary. Ordinary revenues and expenses are derived from transactions or events that are within the normal course of business or that are inherent in the entity's activities, whether frequent or not; extraordinary revenues and expenses refer to unusual transactions and events, whether frequent or not.
- NIF A-7 requires the presentation of comparative financial statements for at least with the preceding period. Through December 31, 2004, the presentation of prior years' financial statements was optional. The financial statements must disclose the authorized date for their issuance, and the name(s) of the officer(s) or administrative body(ies) authorizing the related issuance.
- NIF B-1 establishes that changes in particular standards, reclassifications and correction of errors must be recognized retroactively. Consequently, basic financial statements presented on a comparative basis with the current year that might be affected by the change, must be adjusted as of the beginning of the earliest period presented.

At the date of issuance of these financial statements, the Company has not fully assessed the effects of adopting these new standards on its financial information.

b) U.S. GAAP:

The following new accounting standards have been issued under U.S. GAAP, the application of which is required as indicated. The Company does not anticipate that these new standards will have a significant impact on its consolidated financial position or results of operations.

- **"Share-Based Payments" or SFAS No. 123(R)**
  This Statement eliminates the option to apply the intrinsic value measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" to stock compensation awards issued to employees. Rather, SFAS No. 123(R) requires public entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award the requisite service period (usually the vesting period). SFAS No. 123(R) applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. SFAS No. 123(R) will be effective for the fiscal year ending December 31, 2006. The Company does not grant stock options to employees.

- **"Inventory Costs", or SFAS No. 151**

  SFAS No. 151 is an amendment to Accounting Research Bulletin No. 43. This statement clarifies that the abnormal amounts of the idle capacity expense, freight, handling costs and wasted materials should be recognized as current period charges and requires the allocation of fixed production overhead cost to inventory based on the normal capacity of the production facilities. This guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application allowed for inventory costs incurred during fiscal years beginning after November 23, 2004. The company will adopt this accounting standard on January 1, 2006.

- **"Exchanges of Non-monetary Assets - an Amendment of Accounting Principles Board Opinion No. 29", or SFAS No. 153**

  In December 2004, the FASB issued SFAS No. 153, which amends Accounting Principles Board Opinion No. 29, "Accounting for Non-monetary Transactions" to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance.

  SFAS No. 153 is effective for non-monetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. The Company will adopt this accounting standard on January 1, 2006.

- **"Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3", or SFAS No. 154**

  In May 2005, the FASB issued SFAS No. 154. This statement replaces APB Opinion No. 20, "Accounting Changes" and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements" and changes the requirements for the accounting for and reporting a change in accounting principle. This statement applies to all voluntary changes in accounting principle and also to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS No. 154 requires "retrospective application" to prior periods' financial statements of changes in accounting principle instead of recognize voluntary changes in accounting principle by including in net income of the period the change of the cumulative effect refer to a new pronouncement. This guidance should be applied for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

- **EITF Issue No. 96-16, "Investor's Accounting for and Investee when the Investor has a Majority of the Voting Interest but the Minority Shareholder or Shareholders have Certain Approval or Veto Rights"**

  In June 2005, the Task Force agreed to amend Item 4 of the Protective Rights section of this consensus as well as Example 1 of Exhibit 96-16A to be consistent with the consensus reached in Issue 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a limited Partnership Rights". EITF 96-16 Item 4 specifies that the acquisitions or dispositions of assets that are not expected to be undertaken in the ordinary course of the business is considered as a protective right and this does not overcome the presumption of consolidation by the investor with a majority voting interest in its investee. This amendment should be applied to new investments and to investment agreements that are modified after June 29, 2005. The consensus of this amendment to EITF 96-16, does not change the Company's current equity method of accounting of for its investment in its subsidiaries in its U.S. GAAP consolidated financial statement.

- **EITF Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"**

  On November 3, 2005, the FASB issued FSP FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". This FASB Staff Position (FSP) addresses the determination as to when an investment is considered impaired, whether the impairment is other than temporary, and the measurement of an impairment loss. This FSP also includes accounting consideration subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in this FSP amends SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" and SFAS No. 124 "Accounting for Certain Investments Held by Not-for-Profit Organizations" and APB Opinion No.18 "The Equity method of accounting for Investments in Common Stock". The Company will adopt the recognition and measurement guidance of EITF 03-1 in 2006, when applicable.

- **EITF Issue No. 04-13 "Accounting for Purchases and Sales of Inventory with the Same Counterparty"**

In September 2005, the Board ratified the consensus reached by the Task Force regarding EITF Issue No. 04-13. This guidance addresses the circumstances under which two or more inventory transactions with the same counterparty should be viewed as a single non-monetary transaction with the scope of Opinion 29 "Accounting for Non-monetary Transactions". The Task Force reached a consensus that non-monetary exchange whereby an entity transfers finished goods inventory in exchange for the receipt of raw materials or work-in-progress inventory within the same line of business is not considered as an exchange transaction to facilitate sales customers as described in Opinion 29 paragraph.20(b) and therefore should be recognized by the entity at fair value if it is determinable within reasonable limits and the transaction has commercial substance. All other non-monetary exchanges of inventory within the same line of business should be recognized at the carrying amount of the inventory transferred. The Task Force agreed that this consensus should be applied to transactions completed in reporting periods beginning after March, 2006. The Company will adopt this guidance in 2006.

- **EITF Issue No. 05-6, "Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination"**

In June 2005, the Task Force reached a consensus on EITF Issue No. 05-6. This guidance determines that leasehold improvements acquired in a business combination should be amortized over the shorter of the useful life of the assets or a term that includes required lease period and renewals that are deemed to be reasonably assured at the date of acquisition. The Task Force also agreed that leasehold improvements that are placed in service significantly after and not contemplated at or near beginning of the lease term should be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date the leasehold improvement are purchased. This consensus should be applied to leasehold improvements that are purchased or acquired in reporting periods beginning after June 29, 2005.

- **FSP FAS 13-1, "Accounting for Rental Costs Incurred during a Construction Period"**

In October 2005, the Board addressed that there is no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. Therefore rental costs associated with ground or building operating leases that are incurred during construction period shall be recognized as rental expense. This guidance shall be applied to the first reporting period beginning after December 15, 2005. Currently, for U.S. GAAP purposes, the Company records rental expenses in the income statement as incurred.

Glossary

The Coca-Cola Company: Founded in 1886, The Coca-Cola Company is the world's leading manufacturer, marketer and distributor of non-alcoholic beverage concentrates and syrups that are used to produce more than 230 beverage brands. The Coca-Cola Company's corporate headquarters are in Atlanta with local operations in nearly 200 countries around the world.

Consumer: Person who consumes Coca-Cola FEMSA products.

Customer: Retail outlet, restaurant or other operation that sells or serves the company's products directly to consumers.

Fomento Económico Mexicano, S.A. de C.V. (FEMSA): Founded in 1890,Monterrey, Mexico-based FEMSA is the largest beverage company in Latin America, with exports to the United States and selected markets in Europe, Asia and Latin America. Its subsidiaries include: FEMSA Cerveza, which produces and sells recognized beer brands such as Tecate, Carta Blanca, Superior, Sol, XX Lager, Dos Equis and Bohemia; Coca-Cola FEMSA; FEMSA Empaques (Packaging); FEMSA Comercio (Retail); and FEMSA Logistica (Logistics).

Per Capita Consumption: The average number of eight-ounce servings consumed per person, per year in a specific market. To calculate per capita consumption, the company multiplies its unit case volume by 24 and divides by the population.

Serving: Equals eight fluid ounces of a beverage.

Soft Drink: A non-alcoholic carbonated beverage containing flavorings and sweeteners. It excludes flavored waters and carbonated or non-carbonated tea, coffee and sports drinks.

Unit Case: Unit of measurement that equals 24 eight fluid ounce servings.

Unit Case Volume: Number of unit cases that the company sells to its customers. It is considered an excellent indicator of the underlying strength of soft drink sales in a particular market.

Board Practices

Finance Committee. The Finance and Planning Committee works with the management to set annual and long-term strategic and financial plans of the company and monitors adherence to these plans. It is responsible for setting our optimal capital structure of the company and recommends the appropriate level of borrowing as well as the issuance of securities. Financial risk management is another responsibility of the Finance and Planning Committee. The members are Armando Garza Sada, Irial Finan, Federico Reyes García, Ricardo Guajardo Touché and Enrique Senior. The Secretary of the Finance and Planning Committee is Héctor Treviño Gutiérrez, our Chief Financial Officer.

Audit Committee. The Audit Committee is responsible for reviewing the accuracy and integrity of the quarterly and annual financial statements as well as performance of the external and internal auditors. It works to develop the internal and external audit plan and reviews the auditors' recommendations on internal controls. In addition, this Committee is responsible for the review of all significant unusual transactions, as well as transactions with related parties. Alexis Rovzar de la Torre is the President of the Audit Committee. The additional members include: Charles H. McTier, José Manuel Canal Hernando and Francisco Zambrano Rodríguez, all of them independent directors (as defined under the Mexican Securities Market Law). The Secretary of the Audit Committee is José González Ornelas, head of FEMSA´s internal auditing area.

Evaluation and Compensation Committee. The Evaluation and Compensation Committee, or Human Resources Committee, reviews and recommends the management compensation programs to ensure that they are aligned with shareholders' interests and corporate performance. The Committee is also responsible for identifying suitable director and senior management candidates and setting their compensation levels. It also develops evaluation objectives for the Chief Executive Officer and assesses his performance and remuneration in relation to these objectives. The members of the Evaluation and Compensation Committee are Daniel Servitje Montul, Gary Fayard Alfonso Garza Garza and Ricardo González Sada. The Secretary of the Evaluation and Compensation Committee is Eulalio Cerda Delgadillo, head of Coca-Cola FEMSA's human resources department.

Directors and Officers

Executive Officers

Carlos Salazar Lomelín
Chief Executive Officer
5 Years as an Officer

Ernesto Torres Arriaga
Vice-President
12 Years as an Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer
12 Years as an Officer

Rafael Suárez Olaguibel
Commercial Planning and Strategic Development Officer
12 Years as an Officer

John Santa María Otazúa
Chief Operating Officer –Mexico
10 Years as an Officer

Hermilo Zuart Ruíz
Chief Operating Officer – Latin Centro
3 Years as an Officer

Ernesto Silva Almaguer
Chief Operating Officer –Mercosur
9 Years as an Officer

Alejandro Duncan Ancira
Technical Director
4 Years as an Officer

Eulalio Cerda Delgadillo
Human Resources Director
5 Years as an Officer

Directors

Directors Appointed by Series A Shareholders

Eugenio Garza Lagüera(1)
Honorary Chairman of the Board, Grupo Financiero BBVA Bancomer, S.A. de C.V. Chairman, Instituto Tecnologico de Estudios Superiores de Monterrey ("ITESM"), FEMSA and Grupo Industrial Emprex, S.A. de C.V. ("Emprex"), Regional Advisor of Banco de México and a member of the executive committee of the National Environment for Culture and the Art
12 Years as a Board Member

José Antonio Fernández Carbajal(1)
Chairman of the Board, Coca-Cola FEMSA Chairman of the Board and Chief Executive Officer, FEMSA
12 Years as a Board Member
Alternate: Alfredo Livas Cantú

Alfonso Garza Garza(1)
Director of Human Resources of FEMSA
10 Years as a Board Member
Alternate: Mariana Garza de Treviño

Carlos Salazar Lomelín(2)
Chief Executive Officer of KOF
5 Years as a Board Member
Alternate: Ricardo González Sada

Ricardo Guajardo Touché(2)
Chairman of the Audit Committee of Grupo Financiero BBVA Bancomer, S.A. de C.V.
12 Years as a Board Member
Alternate: Max Michel Suberville

Paulina Garza de Marroquin(3)
Director FEMSA
1 Year as a Board Member
Alternate: Eva Garza de Fernández

Federico Reyes García(2)
Director of Corporate Planning FEMSA
12 Years as a Board Member
Alternate: Alejandro Bailleres Gual

Eduardo Padilla Silva(2)
Chief Executive Officer of FEMSA Comercio
9 Years as a Board Member
Alternate: Francisco José Calderón Rojas

Armando Garza Sada(3)
Chief Executive Officer of Versax, S.A. de C.V.
8 Years as a Board Member
Alternate: Francisco Garza Zambrano

Daniel Servitje Montul(2)
Chief Executive Officer of Grupo Industrial Bimbo, S.A. de C.V.
8 Years as a Board Member
Alternate: Guillermo Chávez Eckstein

Enrique Senior(3)
Investment banker at Allen & Company, Inc.
2 years as a Board Member
Alternate: Herbert Allen III

José Luis Cutrale(1)
General Director of Sucocitrico Cutrale Ltda.
2 years as a Board Member
Alternate: José Luis Cutrale Jr.

Directors Appointed by Series D Shareholders

Gary Fayard(2)
Chief Financial Officer of The Coca-Cola Company
3 Years as a Board Member
Alternate: David Taggart

Irial Finan(2)
President Bottling Investments of The Coca-Cola Company
2 Years as a Board Member
Alternate: Mark Harden

Charles H. McTier(3)
President of the Robert W. Woodruff Foundation, Inc.
8 Years as a Board Member
Alternate: Charles B. Fruit

Barbara Garza Gonda(3)
President of Fundación Cultural Bancomer
1 Year as a Board Member
Alternate: Geoffrey J. Kelly

Director Appointed by Series L Shareholders

Alexis Rovzar de la Torre(3)
Executive Partner at White & Case S.C.
12 Years as a Board Member
Alternate: Arturo Estrada Treanor

José Manuel Canal Hernando(3)
Independent Consultant
3 Years as a Board Member
Alternate: Helmut Paul

Francisco Zambrano Rodríguez(3)
Vice-President Desarrollo Inmobiliario y de Valores, S.A. de C.V.
3 Years as a Board Member
Alternate: Karl Frei

Secretary

Carlos Eduardo Aldrete Ancira
General Counsel, FEMSA and Coca-Cola FEMSA
12 Years as a Board Member
Alternate: David González Vessi

Examiners

Examiner Appointed by Series A Shareholders

Ernesto González Dávila
Deloitte Touche Tohmatsu
3 Years as Examiner
Alternate: Ernesto Cruz Velásquez de León

Examiner Appointed by Series D Shareholders

Fausto Sandoval Amaya
Partner, Ernst & Young L.L.P.
12 Years as Examiner
Alternate: Víctor Soulé García

Relation:
(1) Shareholder
(2) Related
(3) Independent

Shareholder Information

Shareholder and Analyst Information

Shareholders and financial analysts can get answers to many frequently asked questions related to Coca-Cola FEMSA stock ownership by contacting:

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México
Phone: (5255) 5080-6000

Stock Exchange Iinformation

Coca-Cola FEMSA's common stock is traded on the Bolsa Mexicana de Valores, (the Mexican Stock Exchange) under the symbol KOFL and on the New York Stock Exchange, Inc. (NYSE) under the symbol KOF.

Transfer Agent and Registrar

Bank of New York
101 Barclay Street 22W
New York, New York 10286
U.S.A.
Phone: (212) 815-2206

KOF

New York Stock Exchange
Quarterly ADR Information

U.S. Dollars per ADR						2005
Quarter Ended		High		Low		Close
December 31	$	28.04	$	25.00	$	27.01
September 30		28.65		26.00		26.71
June 30		26.71		22.34		26.71
March 31		26.73		22.44		23.84

U.S. Dollars per ADR						2004
Quarter Ended		High		Low		Close
December 31	$	23.83	$	19.93	$	23.76
September 30		22.61		19.48		19.48
June 30		24.57		20.41		22.19
March 31		25.03		21.03		24.09

KOF L

Mexican Stock Exchange
Quarterly Stock Information

Mexican Pesos per share						2005
Quarter Ended		High		Low		Close
December 31	$	30.50	$	26.63	$	29.10
September 30		30.44		28.06		28.89
June 30		28.56		24.76		28.56
March 31		29.71		25.06		26.55

Mexican Pesos per share						2004
Quarter Ended		High		Low		Close
December 31	$	26.62	$	22.41	$	26.46
September 30		25.93		22.28		22.35
June 30		27.30		23.50		25.51
March 31		27.49		24.00		26.99

Coca-Cola FEMSA, S.A. de C.V. (BMV: KOFL; NYSE: KOF) is the second largest *Coca-Cola* bottler in the world, accounting for almost 10% of The Coca-Cola Company's global sales volume. KOF is the largest *Coca-Cola* bottler in Latin America, delivering close to 1.9 billion unit cases a year.

The company produces and distributes *Coca-Cola, Sprite, Fanta*, and other trademark beverages of The Coca-Cola Company in Mexico (a substantial part of central Mexico, including Mexico City and Southeast Mexico), Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide), Panama (nationwide), Colombia (most of the country), Venezuela (nationwide), Brazil (greater São Paulo, Campiñas, Santos, the state of Mato Grosso do Sul, and part of the state of Goias), and Argentina (federal capital and surrounding areas), along with bottled water, beer, and other beverages in some of these territories.

The company's capital stock is owned 45.7% by Fomento Económico Mexicano S.A. de C.V. (FEMSA), 39.6% by a wholly-owned subsidiary of The Coca-Cola Company, and 14.7% by the public. The publicly traded shares of KOF are L series shares with limited voting rights that are listed on the Bolsa Mexicana de Valores (BMV: KOFL) and as American Depository Receipts (ADRs) on the New York Stock Exchange (NYSE: KOF). Each ADR represents 10 Series L shares.

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