



Business Overview

Meeting with Investors and Analysts

May 12, 2004

Mexico City, Mexico

Agenda

- Business Context
 - The Environment in Mexico
 - The Coca-Cola System in Mexico
- 2004 Business Overview
 - Strategic Imperatives
 - Key Plan Initiatives

Mexico Highlights

- Relatively young population
 - 104 MM inhabitants
 - 61% below 29 years old
 - Wealth distribution remains critical structural issue
 - GDP per capita U\$ 5,773

<u>SEL</u>	<u>%</u>
A/B	8%
C	58%
D/E	34%
- 74% urban
 - Seven cities with >1 million inhabitants



Mexican business landscape before 1992...



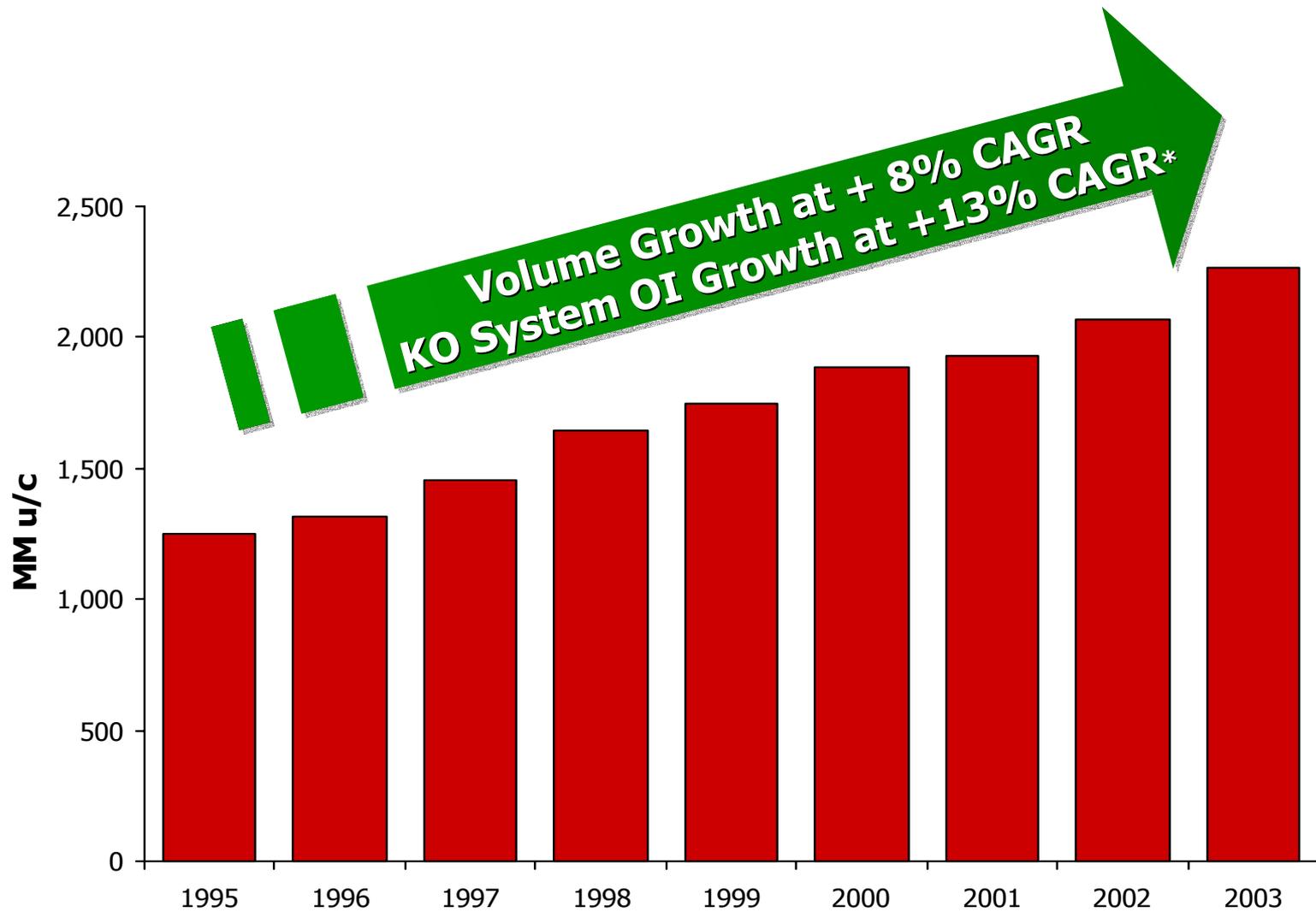
...and the soft drink industry

- A single channel
- One pack, one size
- Under government price controls
- Few international brands / several local
- No consumer promotions allowed

The opening of the economy... significant changes



Coca-Cola response to changes resulting in sustainable growth



*Nominal US \$

Internal estimates based on 2003 public information 7

Our Growth Model

- Brands** **Strengthen Coca-Cola brand equity and develop new CSDs and non-carbs brands**
- Marketing** **Consistently investing in all elements of the marketing mix**
- Packages** **Multiple choices (refillable, non refillable)**
- Channels** **Developing & serving multiple channels**
- Prices** **Leverage brand equity and portfolio to maintain premium**
- Bottler System** **Capable, healthy & committed**

Coca-Cola for Mexicans



... part of daily life

... an entertainer

... imbedded in Mexican Culture

... a trusted leader

Portfolio expansion responding to consumer preferences

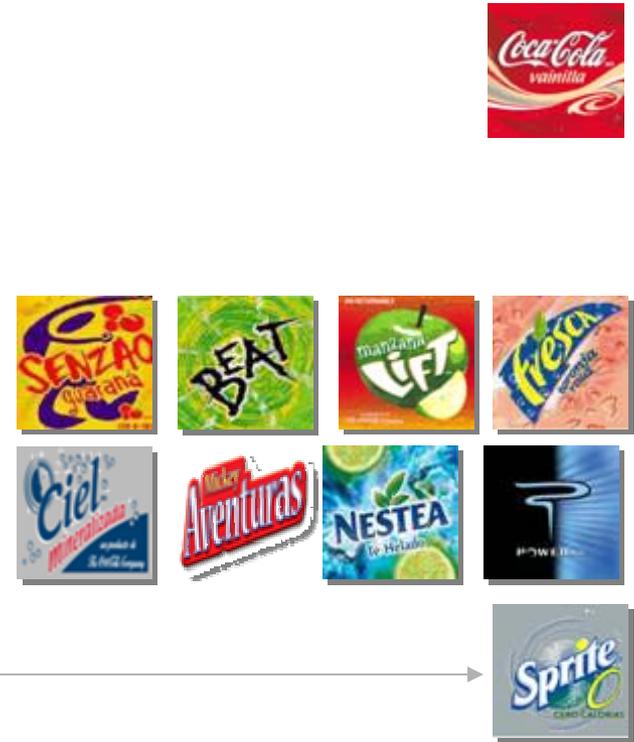
Base



1995 - 1999



2000 - 2003

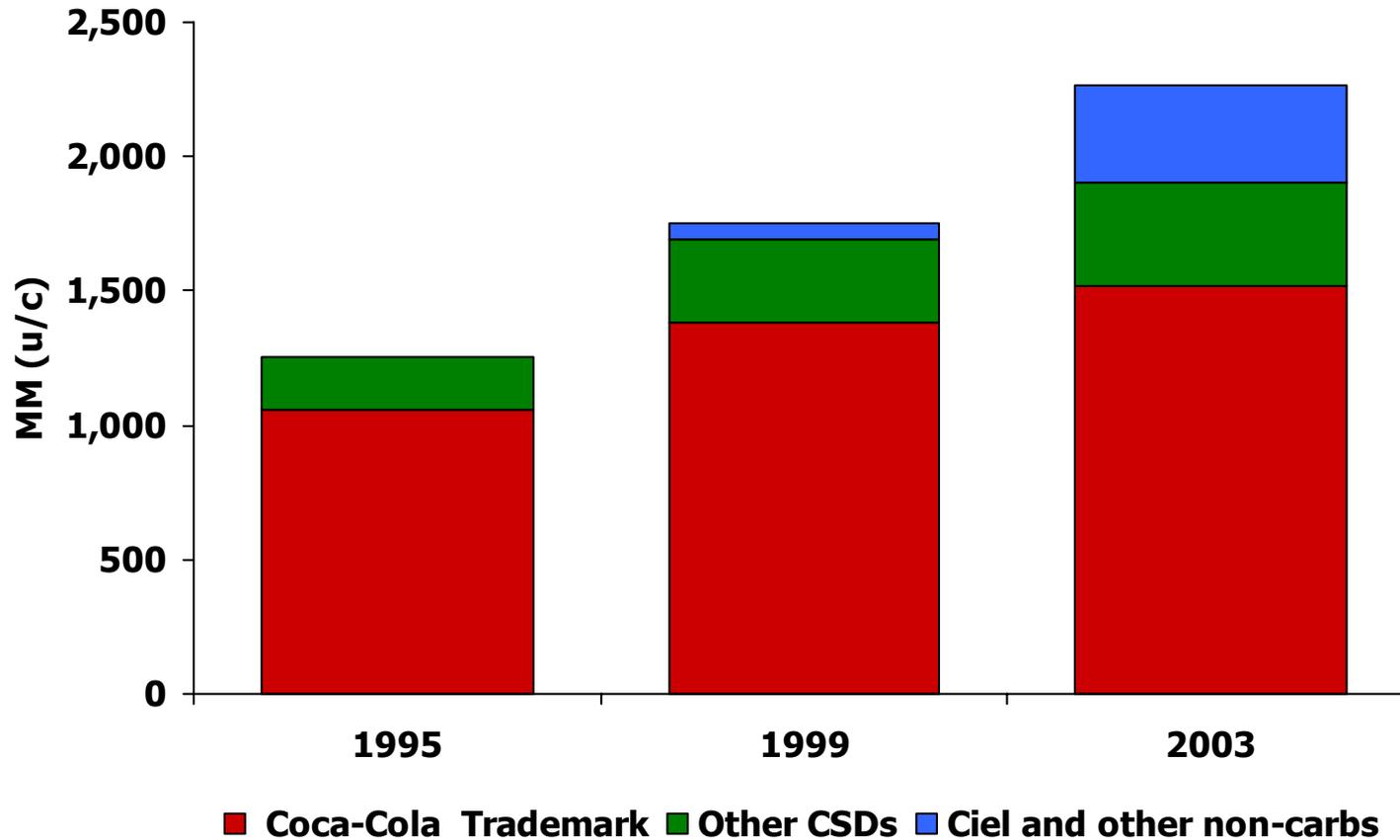


**3 brands
2 line extensions**

**12 brands
6 line extensions**

Positive growth trends across all segments

Volume Mix by category



Preferred CSD flavor brands

Favorite brand ratio vs key competitor



2:1



2:1



1.6:1



1.3:1

Driving a healthy growth across all channels

Mom & Pops
59% of sales



Home w/ sale
9% of sales



Supermarkets
4% of sales



Convenience Stores
5% of sales

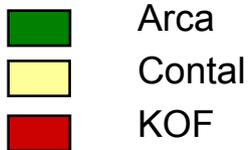
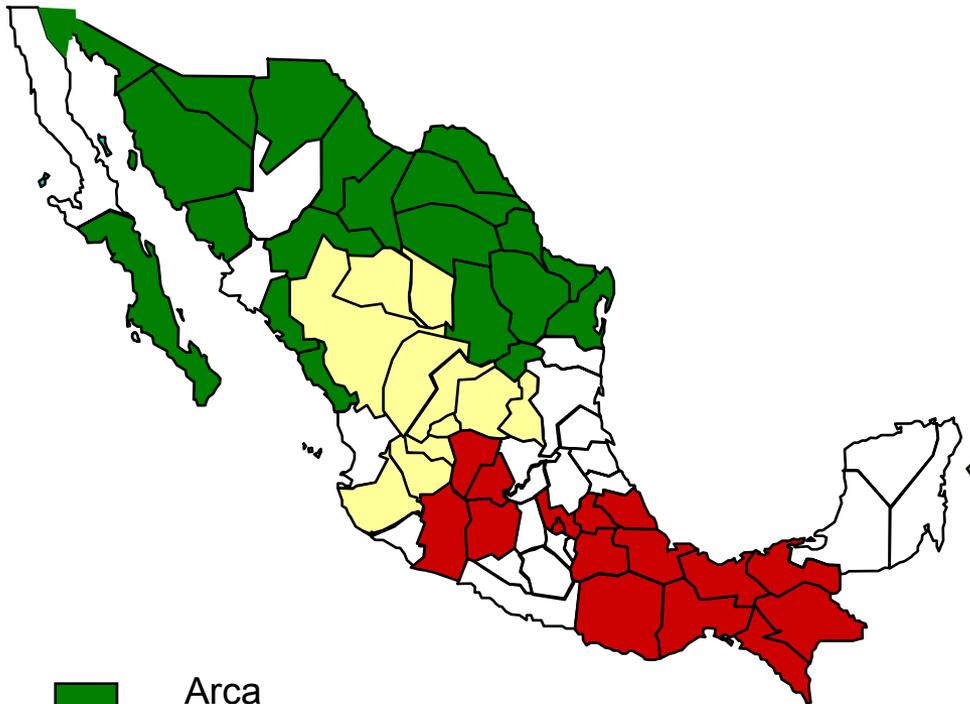


1,100,000
Customers

On Premise
11% of sales



All bottlers with critical mass



Group

% Mix

KOF

ARCA

CONTAL

~75%

OTHERS

~25%

We have built a model with competitive advantage

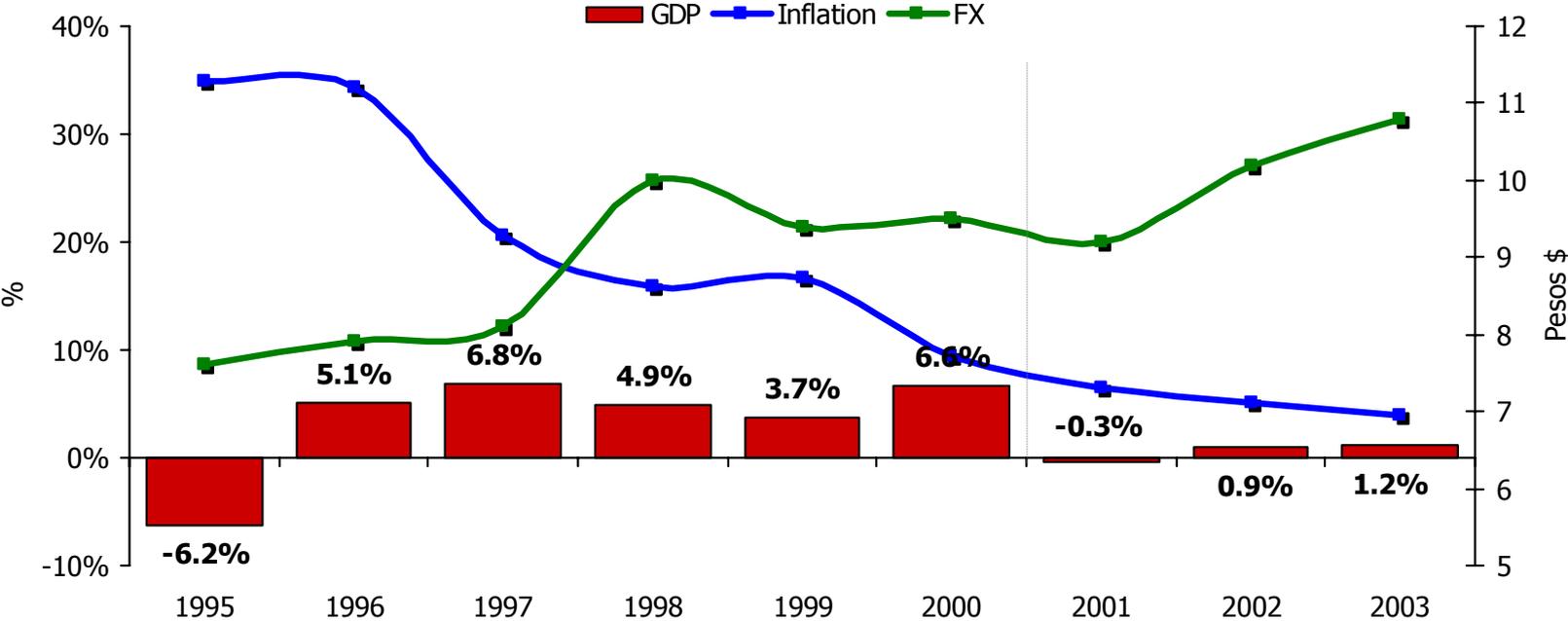
KPI

'95-03 Growth

Volume CAGR (% in u/c)	+ 8
Per capita (8 oz bottles)	+ 198
Share of CSDs (% pts.)	+ 9
Share of NARTD (% pts.)	+ 3
KO System OI CAGR (%)*	+ 13

**How Do We Make
The Coca-Cola System
Even Better?**

Stability of macroeconomic variables, but low GDP growth



- Economic instability (recurrent crises)
- High inflation
- Informal economy growth
- Trade liberalization

- Controlled inflation
- Informal economy booming
- Continued trade liberalization
- Fiscal pressures

Consumers are increasingly sophisticated

New trends in
- Value
- Technology
- Health



Increasing number of beverages
- CSDs
- Other categories



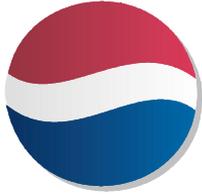
More sophisticated consumer
• Young but growing
• More rational in decision-making

Searching for a better relationship with their favorite brands



Increasing number of options
- Convenience
- Affordability
- Yield

Competitive landscape is changing



PepsiCo integration

- Consolidating bottler network under PBG (65% of sales)
- Shifting strategies to compete aggressively in pricing



B-brands emergence & expansion

- Led by KR / Big Cola from Peru
- Limited availability of Gallito from Ecuador



Established local brands focusing on niches

- Three groups with semi-national presence (Jarritos, Barrilitos, Peñafiel)

Multiple channels with distinct requirements

Channel Role

Mom & Pops	High frequency items, CSDs critical role in business (30% incidence)
Home with sale	Mostly CSDs (90%), some snacks
Supermarkets	Inventory build-up
C-Stores	Impulse
<i>Fondas</i>	Meals away
Schools	Meals, snacks
Industries	Meals at work

Synopsis of 2004 Context

- The economy is improving but at a slow rate
- Consumers are looking for more beverage choices
- Geographic expansion of B-brands, Pepsi shifting strategies to compete more aggressively in pricing
- KO System well prepared to accelerate growth

Key strategic imperatives

- 1 Accelerate Coca-Cola's growth rate
- 2 Drive innovation in CSD flavors
- 3 Develop capability to accelerate profitable non-carbs growth
- 4 Strengthen competitive plan with Segmented Execution & RGM
- 5 Continue to drive efficiencies and effectiveness in all areas
- 6 Drive KO System leadership as Model Citizen

Accelerate Coca-Cola's Growth Rate

Our strategies to accelerate Coca-Cola growth rate

- Keep our strong consumer relationship fresh
 - Across all targets
- Grow personal consumption
 - Cover all relevant choices
- Drive incremental consumption in meals at home
 - Manage competitive inroads

Enhance brand relevance across all targets

Teens...our key target



Coca-Cola is your *Everyday* Music Connection

Men...our most loyal



Coca-Cola is *The* Soccer Brand

Women...our home allies



Powerful Reasons to prefer Coca-Cola at family meals



Mainthrust Campaign

Family...togetherness



Coca-Cola as part of all Unique & Special *Family Moments*

Drive personal consumption

Create Attention

- Specific TV commercials
- Outdoor communication
- Pack innovation

Generate Impulse

- POS messages
- Additional coolers

Provide Value

- Tailored promotions
- Magic price points

Offer a complete choice of packs / prices for away-from-home

P\$ 3

P\$ 4

P\$ 5

P\$ 6

P\$ 7

On premise



6.5 oz RGB



12 oz RGB



500 ml RGB

On-the-go



Mini-Can



8 oz GB



Can



450 ml Pet



600 ml Pet



710 ml Pet

Powerful reasons to prefer Coca-Cola with family meals

**Leverage
unique
taste**

- Favorite brand
- POS messages
- Displays

**Strengthen
emotional
link**

- Communication campaign
“Goes well with meals”

**Provide
Value**

- Tailored promotions
- Right price/pack

Offer a complete choice of packs / prices for meals

ENTRY



1 Lt Pet 1.5 Lt RP 2 Lt RP

YIELD



2.5 Lt RP

CONVENIENCE



2 Lt Pet

INVENTORY



2.5 Lt Pet



Multi-Pack

Drive Innovation in CSD Flavors

CSD innovation is a key growth driver

- Innovation has been our growth engine
 - 75% of incremental volume
- Our learnings in managing line extensions
 - Enhance loyalty to the brand
 - Broaden the category bringing additional occasions
 - Fuel personal consumption
 - Energize the system

CSDs innovation initiatives



100% libre

Our latest initiative...Lift Golden

The Fresh Taste of the Queen of Apples

- Ensure leadership of apple segment
 - Line extension, incremental to red & green versions
- Priority on personal consumption
 - 600 ml Pet
 - Can



Develop Capability to Accelerate Non-carbs Growth

Our strategies to develop capability in non-carbs

- Priority on Ciel, with focus on personal packs
- Develop new “go-to-market” approach

Consolidate Ciel as # 1 water brand in personal packages

Build a lifestyle brand

- Mainthrust advertising
- L. Ochoa (LPGA rookie of the year) endorsement
- Power-flow cap



Gain relevant availability

- Expand geographic coverage
- Activation in SM and C-stores



Expand pack portfolio



<u>Entry</u>	<u>Frequency</u>	<u>Yield</u>
8 oz & 355 ml	600 ml	1 lt & 1.5 lt

Capitalize on isotonics' category growth

Build as top sports brand

- Leverage on sports' marketing assets
 - A. Guevara (400 m world champion) endorsement
 - Olympics – special edition flavor
 - Soccer



Capture unmet category needs

- Two additional flavors



- 400 ml Pet pack

Ensure availability and visibility

- SM, C-stores and "Sweat Points"
- Incremental displays and promotions in SM

Developing new non-carb brands for medium term sustainable growth



Fully leverage Disney properties with new brand name



New flavors / packs

Go-to Market Approach

- Significant growth potential of non-carbs beverages in modern retail channel
- Specific commercialization requirements for non-carbs in these channels
- Distinct operating model to fully exploit growth potential

Strengthen Competitive Plan with Segmented Execution & RGM

Big Cola's model represents a new price segment in the category

Entry Market Puebla (March '02)

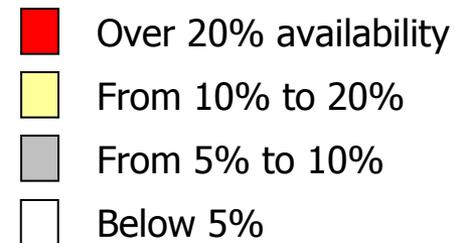
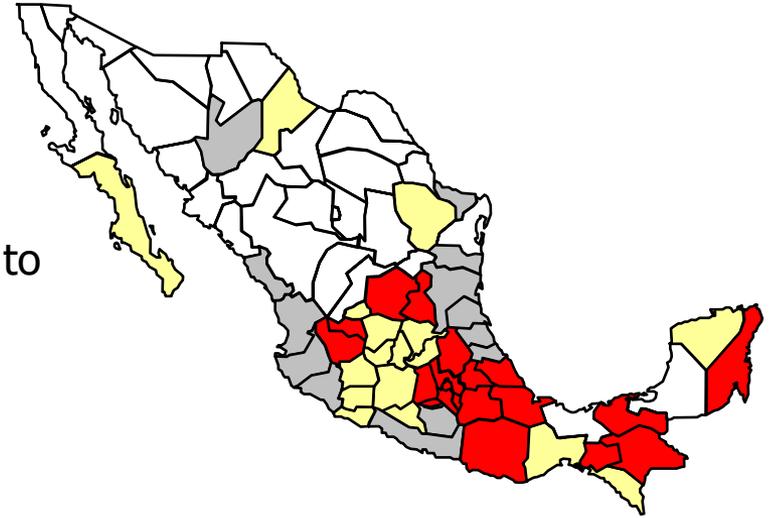
Brand Portfolio Focus on colas (96% of volume)
Limited availability
Over 80% of volume incremental to category

Packs High yield packs
(2.6 lt Pet, 3.1 lt Pet)

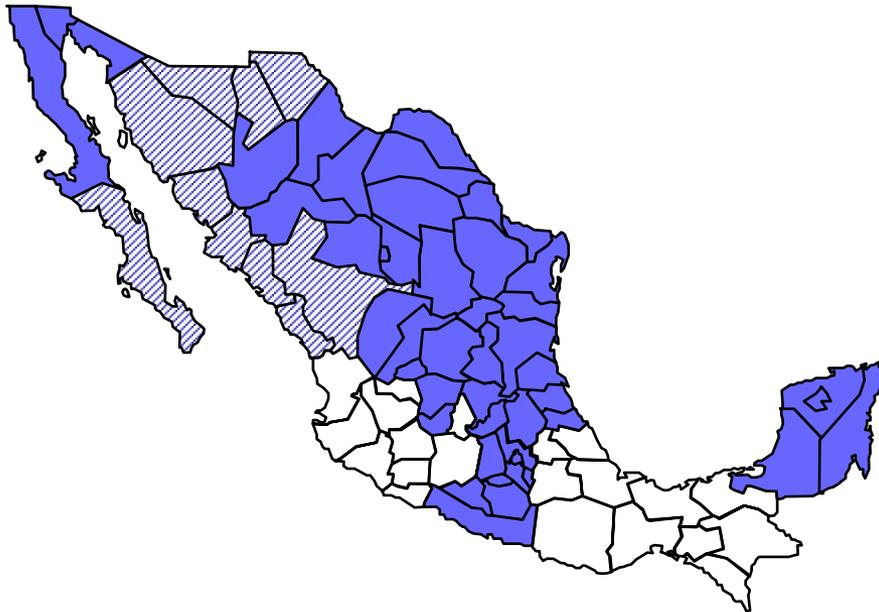
Price Discount ~ 50% gap vs KO

'03 Infrastructure

Plants 1
Distribution centers 30



Pepsi / PBG prone to price aggressiveness



- Repositioning price-value between KO and B-brands
 - Price reductions in Mexico City and center regions
- New PBG management to turn-around results
- PBG consolidation
 - Acquired Ramirez territories
 - In process of acquiring Bepusa
- Limited pack portfolio & channel focus
 - Cooler coverage ~20%
 - High mix of jug water

Continuous optimization of price X volume equation to achieve superior revenue growth



Broad price / pack portfolio is a competitive advantage

Personal Packs



Family Packs



Segmented execution is critical to ensure competitive price / pack architecture, while maximizing revenues



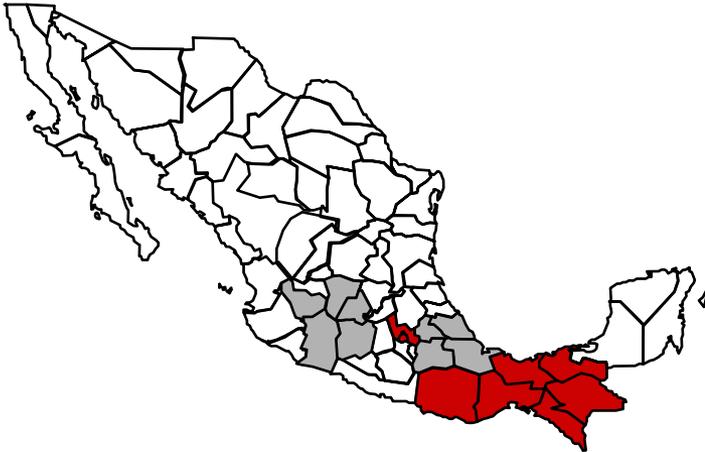
**Continue to Drive Efficiencies and Effectiveness in
All Areas**

Sponsor System efforts to drive synergy & cost efficiencies

- Steward successful KOF / PB and Arca integration
- Support cooperation across bottling system
- Sponsor cost saving initiatives

Efficient KOF / Panamco consolidation

2002

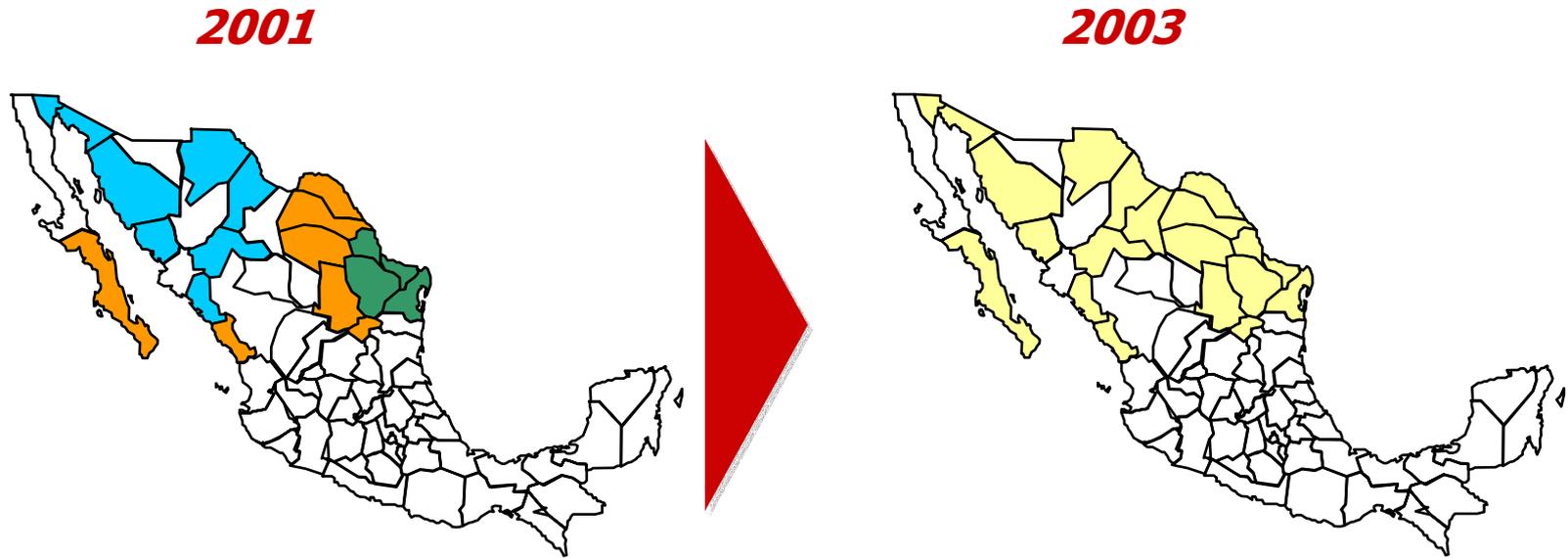


2003



- No disruptions in market-level activity
- Expansion of pack portfolio to all territories
- Enhanced sales capabilities, at KOF benchmarks
- Production and distribution efficiencies

Arca now achieving benefits from consolidation



Dec '01

Procor, Argos and Arma merge into ARCA

2002

Minimum organizational changes, still three cultures
"living together"

2003

Francisco Garza appointed COO
Currently realigning organization and business vision
Enhanced alignment with KO
Profound structural transformation

Pepsi's performance explained by our past execution disadvantages

PROCOR

- Under-developed pack portfolio
 - 12 oz / 500 ml RGB at 58% of mix
 - One way packages less than 10% of mix
- Conventional distribution system (0% Pre-sell)
- Focus only on M&P channel



Pepsi captured market opportunity

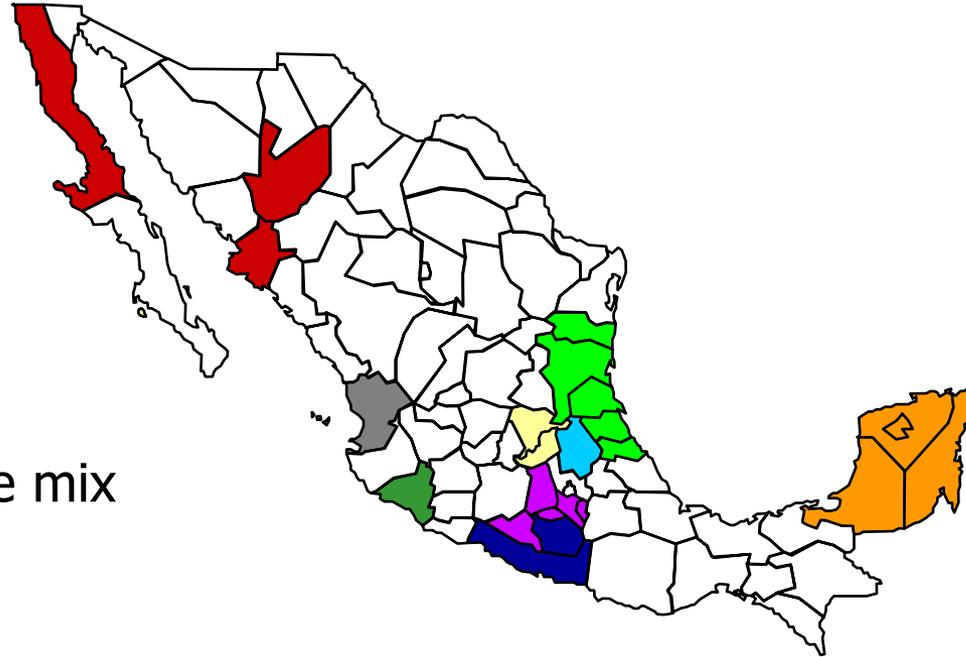
- OW packs at same prices of KO refillable packs
- Pre-sell system at 100%
- Development of C-Stores and supermarket channels

Strengthening our position in the critical market of Monterrey

ARCA: Reinforced Market Leadership

- New, independent management team focused on results
- Rapidly building pack portfolio
 - Launch of 500 ml Pet, 2 / 2.5 lt Pet
 - One way packs at 29% of mix
- Pre-sell coverage at + 77%
- Model market for Segmented Execution
 - 25% of customers on price segmentation program
- Renewed focus on Supermarkets and C-Stores
 - Share in channel up + 7.6% pts. vs year ago

Other bottlers cooperating to generate synergies



23% of volume mix

38% of plants

31% of DCs

-
- Seek efficiencies from coordination and collaboration
 - Share best practices
 - Joint procurement
 - Production and distribution synergies

Sponsoring System's cost savings initiatives

Value Chain Process

Key Initiatives

Supply Management

- Strategic procurement
-

Infrastructure Optimization

- Plant and DCs consolidation
 - Production sharing
 - Flexible manufacturing
-

Cost Reductions

- Packaging
- Logistic efficiencies (planning, distribution & inventory management)

Drive KO System Leadership as Model Citizen

The Coca-Cola System is engaged with our community



- 88,000 direct and 500,000 indirect jobs
- Annual investment of + U\$ 500 MM
- Provide training and sales assets to more than 410,000 small entrepreneurs annually
- Sponsor and promote more than 5,300 events, reaching more than 35 MM people

Across a series of Social Responsibility Programs

Program

Key Initiatives



- eKOsystem
 - First Pet recycling plant in Latin America
 - 92% of our coolers are free of CFCs
 - 39 water treatment plants
-



- Coca-Cola Foundation rebuilt 24 rural schools and 38 shelters and fully equipped them, benefiting more than 307,000 children
 - National Award in Food Science and Technology
-



- Capability development of customers through specialized courses in marketing, manufacturing, logistics and finance

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Summary

- KO System in Mexico continues to deliver strong results
- Good balance in our volume + value model
- We have distinctive competitive advantages
 - Highly valuable Coca-Cola brand franchise
 - Diverse brand, pack, price, channel portfolio
 - Segmented execution and Revenue Growth Management capabilities
 - Committed and profitable System
- Strong passion to win!



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