UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

Commission file number 1-12260

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

(Exact name of registrant as specified in its charter)

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

United Mexican States
(Jurisdiction of incorporation or organization)

Rio Amazonas No. 43
06500 Mexico, D.F., Mexico
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares ("ADSs"), each representing 10 Series L shares ("Series L Shares"), without par value	New York Stock Exchange, Inc.
Series L Shares, without par value	New York Stock Exchange, Inc. (for listing purposes only)
8.95% Notes due November 1, 2006 (the "Notes")	New York Stock Exchange, Inc.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

The number of outstanding shares of each class of capital or common stock as of December 31, 1999 was:

726,750,000	Series A shares, without par value ("Series A Shares")
427,500,000	Series D shares, without par value ("Series D Shares")
270,750,000	Series L Shares, without par value

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

☒ Yes ☐ No

Indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☒ Item 18

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* Omitted because the item is inapplicable or the answer is negative.

Unless the context otherwise requires, the terms "Coca-Cola FEMSA" and the "Company" are used in this Form 20-F to refer to Coca-Cola FEMSA, S.A. de C.V. and its subsidiaries on a consolidated basis.

Coca-Cola FEMSA publishes its financial statements in Mexican pesos and prepares such financial statements in accordance with generally accepted accounting principles in Mexico ("Mexican GAAP").

Included elsewhere in this Form 20-F are the Company's Consolidated Financial Statements. The Consolidated Financial Statements were prepared giving effect to Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," and Bulletin B-12, "Statement of Changes in Financial Position," issued by the Mexican Institute of Public Accountants. Generally, Bulletin B-10 is designed to provide for the recognition of certain effects of inflation by requiring Coca-Cola FEMSA to restate non-monetary liabilities using the National Consumer Price Index ("NCPI"), to restate the components of stockholders' equity using the NCPI, and to record gains or losses in purchasing power from holding monetary liabilities or assets. Through December 31, 1996, Bulletin B-10 further required that non-monetary assets be restated at replacement cost or using the NCPI; for purposes of the Consolidated Financial Statements, non-monetary assets have been restated at replacement cost. On January 1, 1997, the Fifth Amendment to Bulletin B-10 went into effect, which establishes an option to restate fixed assets by: (i) applying the NCPI or (ii) for domestic fixed assets, applying the NCPI, and, for imported equipment, first applying the inflation rate of the country of origin, and then translating at the year-end exchange rate. The second option was adopted by the Company. Bulletin B-10 requires restatement of all financial statements to constant pesos as of the date of the most recent balance sheet presented. Bulletin B-12 requires that the statement of changes in financial position reconcile changes from the restated historical balance sheet to the current balance sheet. Accordingly, except as otherwise indicated, all data in the Consolidated Financial Statements and the selected financial information derived therefrom set forth below have been stated or restated in constant pesos of December 31, 1999. The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to generally accepted accounting principles in the United States ("U.S. GAAP"). See Notes 21 and 22 to the Consolidated Financial Statements.

As a result of the Company's territorial acquisitions during the past years, consolidated results of operations for 1995, 1996, 1997, 1998 and 1999 are not directly comparable.

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

For purposes of consolidation, all amounts recorded in Argentine pesos have been translated into Mexican pesos using the product of the U.S. dollar/Mexican peso exchange rate of $1.00 = Ps. 9.495 at December 31, 1999 (as described below) and a U.S. dollar/Argentine peso exchange rate of $1.00 = A$1.00 at December 31, 1999, which resulted in a Mexican peso to Argentine peso conversion rate of Ps. 9.495 to A$1.00.

References herein to "pesos" or "Ps." are to the lawful currency of Mexico which, effective January 1, 1993, replaced its former currency (also called the "peso") at a rate of one new peso per one thousand old pesos. During the transition period from January 1, 1993, through December 31, 1995, the new currency was referred to as the "nuevo peso," and from January 1, 1996 is referred to as the "peso." All amounts set forth herein in Mexican currency are stated in pesos, even if such amounts relate to a period before January 1, 1996, in which case the amounts are restated herein to reflect the value of the new currency relative to the old. The Company publishes its financial statements in pesos.

References herein to “U.S. dollars” or “$” are to United States dollars. This Form 20-F contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at a rate of $1.00 to Ps. 9.495, the U.S. dollar/Mexican peso exchange rate at which the Company was able to purchase U.S. dollars at December 31, 1999. This rate approximates the noon buying rate for pesos as published by the Federal Reserve Bank of New York (the “Noon Buying Rate”). At December 31, 1999, the Noon Buying Rate was Ps. 9.48 to $1.00. The peso/U.S. dollar exchange rate historically has been highly volatile and, accordingly, the translation to U.S. dollars at the December 31, 1999 exchange rate may not accurately represent the financial condition of the Company in U.S. dollar terms at a later date. On June 23, 2000, the Noon Buying Rate was Ps. 9.975 to $1.00. See Item 8, “Selected Financial and Operating Data—Exchange Rates” for information regarding exchange rates since January 1, 1995.

References herein to “Argentine pesos” or “A$” are to the lawful currency of the Republic of Argentina (“Argentina”). The Federal Reserve Bank of New York does not publish a noon buying rate for Argentine pesos. At December 31, 1999, the offered selling rate for U.S. dollars of the Central Bank of Argentina was A$1.00 to $1.00.

The term “billion” as used in this Form 20-F means one thousand million. Certain amounts in this Form 20-F may not total due to rounding.

The term “soft drink” as used in this Form 20-F refers generally to carbonated, nonalcoholic beverages, including those containing natural or artificial flavors and sweeteners, and mineral waters. The term “unit case” refers to 192 ounces of finished beverage product (24 eight-ounce servings) and, when applied to post-mix syrup and concentrate, refers to the volume of concentrate or post-mix syrup that is required to produce 192 ounces of finished beverage product.

Annual volume, per capita growth rates and levels, product segment, packaging and population data in bottling territories contained in this Form 20-F have been computed and are based upon statistics accumulated and certain assumptions made by Coca-Cola FEMSA with the assistance of The Coca-Cola Company. Additional statistics were obtained from third-party sources. Sales share information presented with respect to soft drinks consumed in the Valley of Mexico Territory (as defined in Item 1, “Description of Business”) is based, since 1995, on data supplied by the A.C. Nielsen Company, S.A. (“A.C. Nielsen”). With respect to its operations in certain areas within southeast Mexico, the Company has estimated sales share information for 1999, 1998, 1997, 1996 and 1995 based on information provided to it by The Coca-Cola Company and has otherwise relied on internal data with respect to the other areas within such territory. Accordingly, sales share figures in this Form 20-F for 1999, 1998, 1997, 1996 and 1995 for the Valley of Mexico Territory and for the Southeast Territory may not be directly comparable to data published in prior periods. With respect to the Buenos Aires Territory, sales share information is based on data provided by IPSA Nielsen Argentina, S.A. (“Nielsen Argentina”). Information regarding the Company’s sales volume, sales share and per capita consumption in the Company’s territories includes cases of soft drinks and purified water that the Company distributes without charge as promotions.

This Form 20-F contains words such as “believe,” “expect,” “anticipate” and similar expressions, which identify forward-looking statements. Use of such words reflects the Company’s views about future events and financial performance. Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond the Company’s control, including, but not limited to, effects on the Company from changes in its relationship with its affiliated companies, movements in the prices of raw materials, competition with its bottling operations, significant developments in the Mexican or Argentine economic or political situations or changes in the Company’s regulatory environment. Accordingly, the Company cautions readers not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

The Company

Coca-Cola FEMSA is a Mexican holding company whose subsidiaries operate in three territories:

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

The Valley of Mexico Territory and the Southeast Territory together compose the Company's territories in Mexico (the "Mexican Territories"). The following maps show the locations of Coca-Cola FEMSA's territories at December 31, 1999.

Mexican Territories

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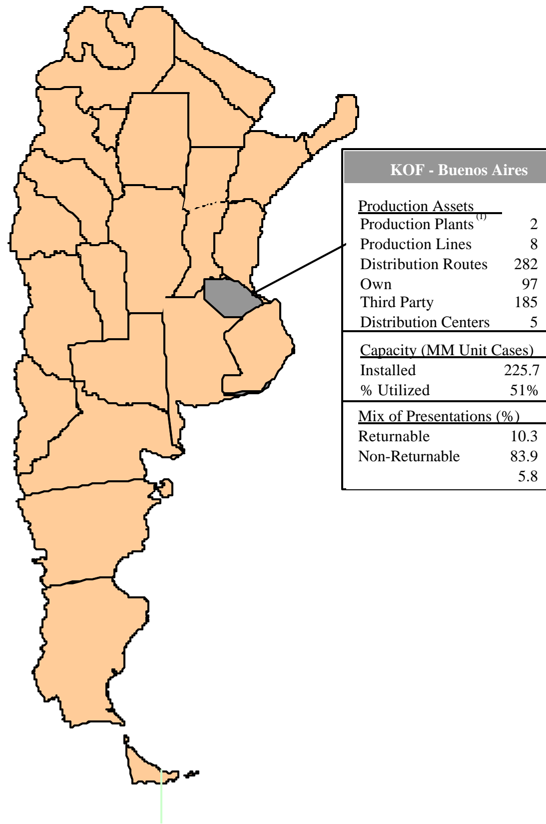
[(1)] In January 1999, the Company closed the Churubusco plant and in March 2000, the Tlalnepantla plant was closed. Both plants were located in the Valley of Mexico. As of June 2000, the Company operated five plants in the Valley of Mexico and Toluca.

Buenos Aires Territory



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(1) In June 2000, the Company ceased production operations at the San Justo plant indefinitely. The Company now operates one plant in Buenos Aires.

The three territories where the Company operates are distinct. The Valley of Mexico Territory is characterized by its high population density, a large number of competing soft drink brands, and higher per capita income than in the Southeast of Mexico. The Southeast Territory is a large and mountainous area characterized by lower population density, lower per capita income, lower per capita consumption of soft drink products and higher prices charged to the consumers by the retailers to whom the Company sells its products. The Buenos Aires Territory is characterized by relatively high population density, high per capita income, and lower per capita consumption of soft drink products as compared with the Valley of Mexico Territory.

The Company is the second largest Coca-Cola bottler in Latin America in terms of sales volume. It produces, markets, and distributes the following products of The Coca-Cola Company (the "Coca-Cola Trademark Beverages") through its subsidiaries:

Mexican Territories	**Buenos Aires Territory**
Coca-Cola	*Coca-Cola*
Coca-Cola light[1]	*Coca-Cola light*[7]
Sprite	*Sprite*
Sprite light[2]	*Sprite light*[2]
Fanta	*Fanta*
Fresca [3]	*Quatro*[8]
Lift[4]	*Kin*
Delaware Punch[5]	
Ciel[6]	

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(1) Introduced October 1997 as a replacement for *diet Coke*.
(2) In February 1999, *diet Sprite* was replaced by *Sprite light*.
(3) Introduced in September 1994.
(4) Introduced in May 1995.
(5) Introduced in March 1996.
(6) Introduced in April 1997 in the Southeast Territory and in August 1997 in the Valley of Mexico Territory.
(7) Introduced in October 1997 as a replacement for *diet Coke*.
(8) Grapefruit flavor introduced in December 1994 and lemonade flavor introduced in May 1995.

The Company's single most important brand is *Coca-Cola*, which accounted for 71.9% of the total consolidated sales volume in 1999. *Sprite* and *Lift*, which both accounted for 5.3% of the sales volume in 1999, are currently the second largest brands in terms of annual unit case sales volume. Through the end of 1994, the Company sold *Extra Poma*, an apple-flavored soft drink, and *Etiqueta Azul*, a carbonated mineral water, in the Mexican Territories pursuant to various licenses and distribution agreements with Cadbury Schweppes PLC ("Cadbury"). These agreements expired in 1994, but the Company continues to sell *Etiqueta Azul* pursuant to an informal understanding with Cadbury. In addition, the Company distributes *Peñafiel*, another Cadbury product, in the Tapachula area of the Southeast Territory.

Coca-Cola FEMSA has three bottler contracts with The Coca-Cola Company that grant the Company the exclusive right (subject to certain limited exceptions) to produce and sell the licensed products and use the related trade names and trademarks in the Mexican and Buenos Aires Territories (the "Bottler Contracts"). See "—Bottler Contracts."

Coca-Cola FEMSA sells Coca-Cola Trademark Beverages in containers authorized by The Coca-Cola Company, which consist of a variety of returnable and non-returnable presentations in the forms of glass and plastic (polyethylene terephtalate or "PET") bottles and cans. In addition, the Company sells some Coca-Cola Trademark Beverages in post-mix containers.

The Company has a bottler contract for the Valley of Mexico Territory and a bottler contract for the Southeast Territory, the latter of which was amended on October 30, 1997 to include the Tapachula area. These two contracts, including supplemental agreements, are the bottler contracts for the Company's Mexican Territories (the "Mexican Bottler Contracts").

For its Buenos Aires Territory, the Company has had a bottler contract with The Coca-Cola Company since September 1, 1994. The Company amended this contract on December 1, 1995 to include certain accounts previously served by San Isidro Refrescos S.A.I. y C. ("SIRSA") in a region contiguous to the Buenos Aires Territory. This contract was again amended on February 1, 1996 to include the remaining accounts in that territory, and on June 2, 1998 to include the areas previously served by Refrescos del Norte, S.A. ("RDN"), also a region contiguous to the original Buenos Aires Territory. This bottler contract, along with the supplemental agreements thereto, is the Company's Buenos Aires bottling contract (the "Buenos Aires Bottler Contract"). See "—Corporate Background" and "—Bottler Contracts."

For purposes of this Form 20-F, at December 1, 1995, the Buenos Aires Territory included certain accounts in the San Isidro area which were previously served by SIRSA and, on February 1, 1996, was extended to include all of the accounts that SIRSA had served previously. On June 2, 1998, the territory was extended again to include all of the accounts in the Pilar area previously served by RDN. The San Isidro and the Pilar areas represent additional bottling and distribution territories of The Coca-Cola Company that were added to the Company's Buenos Aires Territory. The Company is supplying products for these additional areas from its existing production facilities in Buenos Aires.

On December 11, 1998, The Coca-Cola Company and Cadbury announced the signing of an agreement for The Coca-Cola Company to acquire Cadbury beverage brands in over 120 countries. In July 1999, The Coca-Cola Company announced the completion of acquisitions in 155 countries, including Argentina. However, due to local regulatory rulings in several countries, including Mexico, The Coca-Cola Company's acquisition plans are still under consideration by the local authorities. In the case of Mexico, the Company cannot speculate on the outcome of such proceedings. The Company does not anticipate any benefits from these acquisitions during the year 2000.

Corporate Background

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

In 1979, Emprex acquired some of the soft drink bottling subsidiaries that are now a part of Coca-Cola FEMSA. At that time, the subsidiaries had 13 distribution centers operating 701 distribution routes. Production capacity of the subsidiaries was 83 million physical cases and the combined subsidiaries' share of total cola sales volume of Coca-Cola trademark colas and PepsiCo, Inc. ("PepsiCo") colas was 47.2% in the Valley of Mexico Territory and 56.8% in the Southeast Territory. As of December 31, 1999, Coca-Cola FEMSA operated 64 distribution centers servicing approximately 1,844 distribution routes in Mexico and Argentina (including 185 third party distribution routes in Argentina) with an annual sales volume of 544.2 million unit cases. For the year ending December 31, 1999, the Company's share of total cola sales was estimated at 80.3% in the Valley of Mexico Territory, 78.2% in the Southeast Territory, and 77.5% in the Buenos Aires Territory.

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

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

Consistent with its goals of maximizing long-term profitability and growth and enhancing the competitive position of Coca-Cola FEMSA, Emprex agreed to the subscription of 30% of the Company's capital stock by the Inmex Corporation ("Inmex"), an indirect subsidiary of The Coca-Cola Company. On June 21, 1993, Inmex subscribed to 142,500,000 Series D Shares for $195 million and, together with Emprex and The Coca-Cola Company, entered into certain agreements, including a shareholders agreement (the "Shareholders Agreement") that gives The Coca-Cola Company an important role in the management of the Company and a financial interest in its future. The Company repaid the remainder of its debt obligations to Emprex in June 1993 with the proceeds of this transaction. See Item 4, "Control of Registrant—The Shareholders Agreement."

In September 1993, Coca-Cola FEMSA completed an initial public offering of Series L Shares of the Company on the Bolsa Mexicana de Valores, S.A. de C.V. (the "Mexican Stock Exchange") and ADSs of the Company on The New York Stock Exchange, Inc. (the "New York Stock Exchange").

On September 1, 1994, the Company acquired 51% of Coca-Cola FEMSA Buenos Aires from The Coca-Cola Export Corporation, a subsidiary of The Coca-Cola Company, for a final purchase price of A$94.7 million (in nominal 1994 Argentine pesos). The Company completed the acquisition of the remaining 49% of Coca-Cola FEMSA Buenos Aires in two transactions, the last of which occurred on September 19, 1997, for an aggregate purchase price of approximately A$242.0 million (in nominal 1997 Argentine pesos). See Item 9, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisition of Coca-Cola FEMSA Buenos Aires."

In February 1996, the Company completed the acquisition of the former SIRSA territories in Argentina including certain properties of RDN, through a series of transactions (the "SIRSA Transaction") for a purchase price of A$56.5 million (in nominal 1996 Argentine pesos). See Item 9, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisition of Coca-Cola FEMSA Buenos Aires."

On November 19, 1997, Coca-Cola FEMSA acquired 100% of the capital stock of Embotelladora de Soconusco, S.A. de C.V. (the "Tapachula Franchise"), a bottler in the Tapachula area of the state of Chiapas in Southern Mexico, for a purchase price of Ps. 103.1 million (in nominal 1997 pesos, approximately $12.7 million). With this acquisition, Coca-Cola FEMSA services the entire state of Chiapas. See Item 9 "Management's Discussion and Analysis of Financial Condition and Results of Operation –Acquisition of the Tapachula Franchise."

On June 2, 1998, in accordance with the SIRSA Transaction, the Company began servicing all of the accounts previously served by RDN. The transaction required an investment of A$6.7 million (in nominal 1998 Argentine pesos) and included the lease of and costs associated with the modification of a large distribution center in the Pilar area of Buenos Aires, the purchase of 46 trucks, as well as investments in bottles, cases, promotional material (including coolers) and information systems.

In March 2000, Coca-Cola FEMSA concluded a reorganization and consolidation of its subsidiaries as part of an effort to streamline its corporate structure and eliminate operational redundancies. This reorganization did not change the geographical markets where the Company operates. As of April 7, 2000, Coca-Cola FEMSA's subsidiaries were Propimex, S.A. de C.V., Inmuebles del Golfo, S.A. de C.V., Refrescos y Aguas Minerales, S.A. de C.V., Administración y Asesoría Integral, S.A. de C.V., and Coca-Cola FEMSA Buenos Aires, S.A. de C.V.

Business Strategy

Coca-Cola FEMSA seeks to provide its shareholders with an attractive return on their investment by increasing the profitability of the Company. The key factors in achieving profitability are increasing the sales volume of the Company's products at a competitive price while improving the efficiency of its operations. To achieve these goals the Company continues its efforts in:

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

The Company seeks to increase per capita consumption of soft drinks in the territories where it operates. To that end, its marketing teams are developing sales strategies tailored to the different characteristics of its various territories. See "—Marketing—Channel Marketing." The Company also seeks to increase cold drink equipment distribution through placement of such equipment in retail outlets in order to showcase and promote its products. In addition, Coca-Cola FEMSA intends to continue to stimulate and respond to consumer demand by providing new products and new presentations. In this way, the Company can better satisfy consumer tastes without relying exclusively on price competition to increase consumption and market share.

The Company has a capital expenditure program that includes investments in production and distribution facilities and information systems. Accordingly, the Company believes that this program will allow it to maintain the capacity and flexibility to create and respond to consumer demand for non-alcoholic beverages.

In 1999, the Company's capital expenditure program reached Ps. 875 million (approximately $92 million), a 44.3% decrease over 1998. As it works to better utilize the existing fixed assets, the Company anticipates its capital expenditures to decrease over the next year by an estimated 15%. See Item 9, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures."

In each of its facilities, the Company's strategy is to increase productivity through infrastructure and process reengineering for improved asset utilization. To this end, Coca-Cola FEMSA engineers have developed a production master plan for the Company and are reconfiguring existing production sites, warehouse locations and information systems. See Item 9, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

As part of its plan to increase sales volume, the Company will consider the possibility of acquiring additional Coca-Cola bottler territories where such opportunities develop and when they fit into the Company's financial plans. In this regard, Coca-Cola FEMSA continually evaluates the potential attractiveness of bottler territories located in Latin America. However, the Company cannot make any assurances that any such acquisition will occur. See "—Corporate Background" and Item 4, "Control of Registrant—The Shareholders Agreement."

Finally, the Company sees management quality at all levels as a key element of each of its strategies for growth, and remains committed to fostering the development of quality management at all levels. Both FEMSA and The Coca-Cola Company provide managerial experience and depth. In addition, the Company offers management training programs as well as programs tailored to enhance its executives' skills.

The Company views its relationship with The Coca-Cola Company as integral to its business strategy. In order to improve its coordination with the worldwide efforts of The Coca-Cola Company, the Company uses market information systems and strategies developed by The Coca-Cola Company. See "—Marketing—Channel Marketing."

Sales

In evaluating the development of local sales territories, Coca-Cola FEMSA and The Coca-Cola Company measure, among other factors, the per capita consumption of soft drinks generally and of Coca-Cola Trademark Beverages specifically. Per capita consumption data for a territory is determined by dividing management's estimate of applicable aggregate consumption figures within the territory (in bottles, cans and post-mix containers) by the estimated population within such territory, and is expressed on the basis of the number of eight-ounce servings consumed annually per capita. For the Valley of Mexico Territory, the Southeast Territory and the Buenos Aires Territory (including the Pilar area), estimated per capita annual consumption in 1999 of the Company's products was approximately 417, 240, and 272 eight-ounce servings, respectively. This compares to estimated per capita consumption of 431 eight-ounce servings of Coca-Cola Trademark Beverages in Mexico and 224 eight-ounce servings of Coca-Cola Trademark Beverages in Argentina. Company data shows that per capita consumption for all age groups grew in recent years in all of its territories, and management believes that general population growth in both its Mexican Territories and in its Buenos Aires Territory will result in increased sales.

Total unit case sales volume of the Company's products increased 4.7% in 1999 compared to 1998 and 18.6% in 1998 compared to 1997. See Item 9, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

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

Combined Sales Volume

	1999[1]	1998[1][2]	1997[2]	1996[3]	1995[4]
	(millions of unit cases, except percentages)				
Company Total	544.2	519.6	438.3	380.5	355.0
% Growth	4.7%	18.6%	15.2%	7.2%	15.9%

(1) Includes sales to certain accounts previously served by RDN, which the Company began servicing in June 1998.
(2) Includes sales within the Tapachula area, which the Company began servicing in November 1997.
(3) Includes sales to certain accounts in the territory previously served by SIRSA for January 1996 and all accounts in such territory from February 1, 1996 through December 31, 1996.
(4) Includes sales to certain accounts previously served by SIRSA, which the Company began servicing in December 1995.

The Company produces soft drinks in a variety of deliverable presentations:

Packaging Mix Summary

	Year ended December 31,				
	1999	1998	1997	1996	1995
Unit Case Volume Mix by Presentation	(in percentages)				
Valley of Mexico					
Returnable	40.6 %	48.0 %	55.9 %	61.5 %	72.2 %
Non-returnable(1)	57.4	50.0	41.9	36.2	25.4
Post-mix	2.0	2.0	2.2	2.3	2.4
Southeast Mexico					
Returnable	56.7 %	60.8 %	69.5 %	83.8 %	91.8 %
Non-returnable(1)	42.8	38.8	30.1	15.8	7.8
Post-mix	0.5	0.4	0.4	0.4	0.4
Buenos Aires					
Returnable	10.3 %	10.9 %	30.3 %	45.4 %	63.4 %
Non-returnable(1)	83.9	83.2	63.5	49.4	31.4
Post-mix	5.8	5.9	6.2	5.2	5.2

(1) Including cans.

Mexican Operations. The majority of the Company's sales in its Mexican Territories are in the "take-home" segment and are primarily distributed through small retail stores. In addition, Coca-Cola FEMSA sells products in the "on premise" segment, which consists of (i) sales through sidewalk stands, restaurants, bars and various types of dispensing machines and (ii) sales through "point of sale" programs in concert halls, auditoriums and theaters by means of a series of exclusivity arrangements with Mexican promoters. The vast majority of the Company's sales to all of these outlets is on a cash basis.

In 1999, approximately 99.2% of unit case sales by Coca-Cola FEMSA in the Mexican Territories were Coca-Cola Trademark Beverages. Sales volume of Coca-Cola Trademark Beverages in the Mexican Territories increased 4.3% in 1999 compared to 1998. The Company attributes this increase to (i) the use of hand-held computers by Coca-Cola FEMSA sales personnel, which enables the Company to gather product, consumer and delivery information, (ii) the Company's presale distribution system, under which sales personnel can more efficiently provide product and service to retailers, (iii) increased availability of cold soft drink products as a result of investments in refrigerated sales units, (iv) increased packaging options provided by the Company to consumers, and (v) continued marketing efforts.

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

Mexican Operations.

Valley of Mexico Territory

	Year ended December 31,				
	1999	**1998**	**1997**	**1996**	**1995**
Unit Case Volume Mix by Brand			**(in percentages)**		
Coca-Cola	72.9 %	72.6 %	75.5 %	79.0 %	79.5 %
Coca-Cola light(1)	3.3	2.9	2.6	2.4	2.2
Sprite	4.5	3.6	3.2	2.5	2.6
Sprite light(2)	0.1	0.1	0.1	0.1	0.1
Fanta	3.2	4.0	5.8	6.9	11.2
Fresca(3)	5.7	5.7	3.8	3.6	2.5
Lift(4)	6.9	7.1	6.0	3.7	1.0
Delaware Punch(5)	1.2	1.3	1.8	1.1	-
Ciel(6)	1.6	2.0	0.5	-	-
Subtotal Coca-Cola Trademark Beverages	99.4 %	99.4 %	99.3 %	99.2 %	99.1 %
Extra Poma(7)	-	-	-	-	-
Etiqueta Azul	0.6	0.7	0.7	0.7	0.9
Subtotal Other Beverages	0.6 %	0.7 %	0.7 %	0.7 %	0.9 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Unit Case Volume			**(millions of unit cases)**		
Coca-Cola Trademark Beverages	314.9	302.4	257.6	212.2	199.5
Other Beverages	2.0	2.1	2.0	1.5	1.7
Total	316.9	304.5	259.6	213.7	201.2
% Growth	4.1%	17.3%	21.5%	6.2%	0.7%

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(1) Introduced in October 1997 as a replacement for *diet Coke*.
(2) Introduced in February 1999 as a replacement for *diet Sprite*.
(3) Introduced in September 1994.
(4) Introduced in May 1995.
(5) Introduced in March 1996.
(6) Introduced in August 1997.
(7) Discontinued as of 1995.

Southeast Territory

	Year ended December 31,				
	1999	1998	1997	1996	1995
Unit Case Volume Mix by Brand			(in percentages)		
Coca-Cola	72.8 %	71.3 %	72.3 %	74.3 %	74.6 %
Coca-Cola light[1]	1.1	1.2	1.0	0.7	0.6
Sprite	2.3	1.8	1.8	1.5	1.4
Sprite light[2]	*	*	*	*	0.1
Fanta	7.8	9.1	11.1	13.1	14.4
Fresca[3]	3.1	3.0	3.2	3.3	4.6
Lift[4]	6.8	6.9	6.5	5.3	0.3
Delaware Punch[5]	0.1	0.2	0.3	0.2	-
Ciel[6]	4.7	5.1	2.6	-	-
Subtotal Coca-Cola Trademark Beverages	98.6	98.5 %	98.7 %	98.5 %	95.8 %
Extra Poma[7]	-	-	-	0.2	2.4
Etiqueta Azul	1.0	0.9	1.1	1.3	1.6
Peñafiel[8]	0.3	0.5	0.1	-	-
Sin Rival[7]	-	-	-	-	-
Subtotal Other Beverages	1.3 %	1.4 %	1.2 %	1.5 %	4.0 %
Total	99.9 %	100.0 %	100.0 %	100.0 %	100.0 %
Unit Case Volume			(millions of unit cases)		
Coca-Cola Trademark Beverages	99.9	95.3	74.6	64.3	63.0
Other Beverages	1.3	1.4	1.0	1.0	2.6
Total	101.2	96.7	75.6	65.3	65.6
% Growth	4.7%	27.8%	15.8%	-0.4%	-6.3%

(1) Introduced in October 1997 as a replacement for *diet Coke*.
(2) Introduced in February 1999 as a replacement for *diet Sprite*.
(3) Introduced in September 1994.
(4) Introduced in May 1995.
(5) Introduced in March 1996.
(6) Introduced in April 1997.
(7) Discontinued in February 1994.
(8) Sold only in the Tapachula area.
* Less than 0.1%.

Combined Mexican Territories Sales Volume

	Year ended December 31,				
	1999[1]	1998[1]	1997[1]	1996	1995
Unit Case Volume			(millions of unit cases)		
Total	418.1	401.2	335.1	279.0	266.8
% Growth	4.2%	19.7%	20.1%	4.6%	-1.1%

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

In 1995, the Company introduced a number of new presentations, including the 2.0 liter returnable PET bottles and the 1.0 liter non-returnable PET bottles, in the Mexican Territories. Sales of the 2.0 liter returnable presentation increased significantly in the Mexican Territories. In 1996, the Company expanded the flavors available in these presentations and introduced a new brand, *Delaware Punch*, which is a grape-flavored non-carbonated soft drink.

The Company further expanded its brand portfolio during the second quarter of 1997 and introduced *Ciel* in the Southeast Territory, a bottled still table water, in two non-returnable PET bottle presentations of 0.5 and 1.5 liters. *Ciel* was also launched in the Valley of Mexico Territory during the third quarter of 1997. During 1998, the Company debuted the 0.6 liter PET contour bottle throughout its Mexican Territories to replace the 0.5 liter non-returnable glass presentation. In 1999, the Company continued to increase the number of its brands available in the 0.6 liter non-returnable plastic bottle and discontinued the packaging of products in 0.5 liter non-returnable plastic bottles.

The Company's most popular soft drink presentations are the 2.0 liter returnable PET bottles, the 0.6 liter non-returnable PET contour bottle and the 2.0 liter non-returnable PET bottle, which accounted for 31.6%, 21.8% and 13.7%, respectively, of the Company's total Mexican Territories soft drink sales volume in 1999. The sale of non-returnable presentations continues to increase as a percentage of total Mexican Territories sales volume. Total non-returnable presentations (including cans and excluding post-mix containers) represented 53.8% of total soft drink sales in the Mexican Territories in 1999 compared to 47.3% in 1998. Management believes that growth in sales of non-returnable presentations reflects, in part, increased emphasis on new distribution channels and consumer preferences for the convenience of non-returnable presentations.

In recent years, multi-serving presentations (those presentations of 1.0 liter or greater) have grown in their importance within the Company's product mix. In 1999, multi-serving presentations represented 46.9% of total soft drink sales in the Mexican Territories, compared to 49.4% in 1998. The shift to larger multi-serving presentations has resulted in an overall net increase in sales volume on a unit case basis. Management believes that the popularity of multi-serving presentations is primarily attributable to the lower price per ounce of beverage to the consumer in larger presentations. Management expects the trend towards multi-serving presentations to continue.

Valley of Mexico Territory

	Year ended December 31,				
	1999	1998	1997	1996	1995
Unit Case Volume Mix by Presentation	(in percentages)				
Glass					
6.5 oz. returnable ……………………..	0.5 %	0.5 %	0.7 %	0.9 %	1.1 %
12.0 oz. returnable …………………….	8.6	11.5	14.0	18.0	22.3
26.0 oz. returnable ……………………	-	0.5	2.4	5.5	11.1
0.5 liter returnable[1] …………………..	-	-	0.8	1.9	4.3
12.0 oz. non-returnable[2] ………….…	-	*	0.1	0.1	0.1
0.5 liter non-returnable ……………….	0.4	10.4	13.7	12.0	11.8
Cans-12.0 oz. ……………………………..	6.3	7.7	6.4	6.8	7.0
PET					
1.5 liter returnable …………………….	-	0.4	6.0	17.4	31.1
0.5 liter non-returnable[3] ………….…	0.6	0.7	0.2	0.3	0.3
2.0 liter returnable[4] …………………	31.5	35.0	32.0	17.8	2.2
0.6 liter non-returnable[5] ………….…	25.4	5.7	0.7	0.3	0.5
1.0 liter non-returnable[6] ………….…	10.8	11.3	8.8	7.6	1.1
1.5 liter non-returnable[7] ………….…	1.0	1.3	0.3	-	-
2.0 liter non-returnable………………..	12.8	12.9	11.7	9.1	4.6
Post-Mix …………………………………..	2.1	2.0	2.2	2.3	2.5
Total ……………………………………….	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

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(1) Discontinued in December 1997.
(2) Discontinued in June 1998.
(3) Discontinued in 1999.
(4) Introduced in June 1995 and discontinued in September 1998.
(5) Introduced in August 1998.
(6) Contour bottler introduced in October 1994.
(7) Introduced in April 1995.
(8) Introduced in August 1997.

Southeast Territory

	Year ended December 31,				
	1999	**1998**	**1997**	**1996**	**1995**
Unit Case Volume Mix by Presentation	(in percentages)				
Glass					
6.5 oz. returnable	* %	* %	0.1 %	0.1 %	0.1 %
12.0 oz. returnable	10.0	12.7	17.5	22.7	30.5
26.0 oz. returnable	0.1	0.3	1.0	2.5	5.8
0.5 liter returnable	13.6	16.4	18.2	22.3	22.8
1.0 liter returnable[1]	0.8	0.9	0.9	1.2	-
1.25 liter returnable	0.3	1.1	1.5	2.7	6.3
12.0 oz. non-returnable	-	*	0.1	0.1	0.1
0.5 liter non-returnable	0.2	1.3	2.0	2.1	1.7
Cans-12.0 oz.	7.2	10.8	9.7	7.4	5.9
PET					
1.5 liter returnable[2]	-	-	-	-	*
2.0 liter returnable	31.9	29.3	30.3	32.3	26.3
0.5 liter non-returnable[3]	2.5	5.0	2.4	-	-
1.0 liter non-returnable[4]	2.6	3.3	3.1	1.2	-
1.5 liter non-returnable[5]	3.0	3.1	1.5	-	-
2.0 liter non-returnable	16.8	15.0	11.3	5.0	0.1
0.6 liter non-returnable[6]	10.5	0.3	-	-	-
Post-Mix	0.5	0.4	0.4	0.4	0.4
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

* Less than 0.1%.
(1) Introduced in January 1996.
(2) Discontinued in January 1996.
(3) Introduced in March 1997.
(4) Introduced in September 1995.
(5) Introduced in April 1997.
(6) Introduced in August 1998.

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

While the majority of the Company's sales are on a cash basis, sales to certain customers, such as major supermarket chains, are made on credit.

Buenos Aires Territory

	Year ended December 31,				
	1999	1998[5]	1997	1996[6]	1995[7]
Unit Case Volume Mix by Brand	(in percentages)				
Coca-Cola	68.5 %	70.5 %	71.4 %	70.1 %	70.9 %
Coca-Cola Light[1]	7.5	6.4	5.4	3.7	3.1
Sprite	9.8	9.9	9.3	9.0	8.9
Sprite light[2]	1.2	0.8	0.7	0.8	0.8
Fanta	8.1	7.1	7.3	7.6	8.6
Kin	0.7	1.0	1.6	3.5	1.2
POWERADE[3]	-	-	-	*	0.4
Quatro[4]	4.2	4.3	4.3	5.2	6.1
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Unit Case Volume	(millions of unit cases)				
Total	126.1	118.4	103.1	101.5	88.2
% Growth	6.5%	14.8%	1.6%	15.0%	-5.4%

* Less than 0.1%.
(1) Introduced in February 1995 as a replacement for *diet Coke*. Includes some *diet Coke* sales.
(2) Introduced in February 1999 as a replacement for *diet Sprite*.
(3) Introduced in January 1995 and discontinued in February 1996.
(4) Grapefruit flavor introduced in December 1994 and lemonade flavor introduced in May 1995.
(5) Excludes sales volume of 2.7 million unit cases sold to other Argentine Coca-Cola bottlers.
(6) Excludes sales volume of 1.2 million unit cases sold to other Argentine Coca-Cola bottlers.
(7) Includes sales to certain accounts of SIRSA, which Coca-Cola FEMSA Buenos Aires began servicing in December 1995.

In 1999, approximately 100% of unit case sales by Coca-Cola FEMSA in the Buenos Aires Territory were of Coca-Cola Trademark Beverages. Sales volume of Coca-Cola Trademark Beverages in the Buenos Aires Territory increased 6.5% in 1999 as compared to 1998.

In 1999, 2.25 liter and 1.5 liter non-returnable PET bottles accounted for 39.7% and 27.4% of total soft drink sales volume, respectively. Recent growth in the Argentine soft drink industry was led by sales in super- and hyper-markets, which primarily sell large, non-returnable presentations. Coca-Cola FEMSA Buenos Aires has shifted, and will continue to shift, its product mix towards these presentations in response to consumer preferences. In addition, the Company is working to increase the on-premise segment, which consists of small retail outlets, restaurants, bars and various types of dispensing machines. In March 1999, the Company introduced a small 237 milliter non-returnable glass contour bottle in its effort to increase on-premise demand with a low-price, single-serving presentation.

Buenos Aires Territory

Unit Case Volume Mix by Presentation	1999	1998	1997	1996	1995
	Year ended December 31, (in percentages)				
Glass					
330 and 350 c.c. returnable	2.5 %	2.8 %	3.4 %	3.6 %	4.3 %
1.0 liter returnable(1)	-	-	*	0.8	2.3
0.237 liter no-returnable(2)	1.5	-	-	-	-
Cans-12.0 oz.	8.3	10.5	9.9	11.1	13.0
PET					
1.5 liter returnable	7.9	8.0	26.6	39.1	49.4
2.0 liter returnable(3)	-	-	0.3	1.9	7.5
0.5 liter non-returnable	2.9	3.3	3.8	3.4	1.1
0.590 liter non-returnable(4)	-	-	-	*	0.4
1.0 liter non-returnable(5)	0.8	0.7	1.7	1.0	-
1.5 liter non-returnable	27.4	26.3	4.9	2.9	1.3
2.0 liter non-returnable	3.1	3.1	15.4	15.8	13.2
2.25 liter non-returnable	39.7	39.4	27.7	15.1	2.3
Post-Mix	5.9	5.9	6.2	5.2	5.2
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

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* Less than 0.1%.
(1) Discontinued in May 1997.
(2) Introduced in March 1999
(3) Discontinued in August 1997.
(4) POWERADE was introduced in these presentations in January 1995 and discontinued in February 1996.
(5) Introduced in July 1996.

Marketing

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

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

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

In addition, Coca-Cola FEMSA advertises in all major communications media. The Company also focuses attention on increasing brand recognition by consumers and improving the Company's relationships with its customers. National advertising campaigns are designed and proposed by The Coca-Cola Company's local affiliates, with input by the Company at the local or regional level.

Cooperative Marketing Budget. Total marketing expenditures made by the Company in the Mexican Territories increased 1.7% to Ps. 469.3 million in 1999 from Ps. 461.5 million in 1998. In the Buenos Aires Territory, marketing expenditures by the Company increased 1.9% to approximately A$23.2 million (Ps. 220.0 million) in 1999 from A$22.7 million (Ps. 215.9 million) in 1998. Under the 1999 and 1998 cooperative marketing budgets, The Coca-Cola Company contributed to the Company's marketing expenditures by matching approximately the amount spent by the Company on these marketing efforts in each respective year. See "—Bottler Contracts."

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

The Company believes that the implementation of the channel marketing strategy also enables it to respond to competitive initiatives with channel-specific responses, thereby isolating the effects of competitive pressure on a specific channel. The Company's channel marketing activities are facilitated by its management information systems. The Company has invested significant amounts in creating such systems, including hand-held computers for most of its sales routes in the Mexican and Buenos Aires Territories, to support the gathering of product, consumer and delivery information required to implement its channel marketing strategies effectively.

Product Distribution

The following table provides an overview of the Company's product distribution infrastructure and retail network.

Product Distribution Summary

	Mexico	Argentina
Distribution Centers	59	5
Distribution Trucks [1]	1,888	282
Sales Routes	1,562	282
Number of Retailers	255,000	70,000

[1] Includes both Company owned trucks and subcontractors in Argentina

Mexican Operations. The transportation of finished products to the Company's distribution centers from the Company's Mexican production facilities is subcontracted to FEMSA Logística, S.A de C.V. ("FEMSA Logística"), a wholly owned subsidiary of FEMSA. From the distribution center, the Company distributes its finished products to an estimated 255,000 retailers through the Company's fleet of trucks. See "—Related Party Transactions."

The Company's distribution centers range from large warehousing facilities and re-loading centers to small deposit centers. In addition to the Company's fleet of trucks, the Company distributes its products in certain

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

Management believes that service and frequency of deliveries are the essential elements in an effective distribution system for soft drink products. Accordingly, the Company has continued to expand its pre-sell system in the Valley of Mexico Territory and throughout the main cities in the Southeast Territory. The pre-sell program separates the sales and delivery functions, allowing sales personnel to sell products prior to delivery and enabling trucks to be loaded with a proper mix of products, thereby increasing distribution efficiency. Under the pre-sell program, sales personnel also provide merchandising services during retailer visits, which management believes enhance the presentation of the Company's products at the point of sale. At December 31, 1999, approximately 86.5% of the Company's sales routes used the present system.

Argentine Operations. At December 31, 1999, the Company operated five distribution centers in the Buenos Aires Territory. The Company also utilizes the pre-sell system in the Buenos Aires Territory and distributes its products by means of its fleet of trucks and subcontractors and through independent wholesalers. Also, in designated zones, the independent wholesalers purchase the Company's products at a discount from the wholesale price and resell the products to retailers. Independent wholesalers distributed approximately 15.4% of the Company's products. See Item 9, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Conditions Specific to Buenos Aires Territory—Distribution System."

Competition

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

Mexican Operations. The Company estimates that its products accounted for 61.2% of total 1999 soft drink sales in the Valley of Mexico Territory and 67.5% of such sales in the Southeast Territory. The Company's cola beverages accounted for 80.3% of total 1999 cola sales in the Valley of Mexico Territory which represented an increase of 5.0% over 1998. The Company's cola sales accounted for 78.2% of total 1999 cola sales in the Southeast Territory, an increase of 1.1% over 1998.

The following chart compares sales share of the Company and PepsiCo bottlers in the Mexican Territories for the periods indicated, and excludes sales by other bottlers:

Share of Sales of the Company and PepsiCo Bottlers[1]

	Year ended December 31,				
	1999	1998	1997	1996	1995
	(in percentages)				
Valley of Mexico					
The Company					
Colas	80.3 %	75.3 %	71.9 %	66.0 %	62.2 %
Total Soft Drinks	73.6	69.7	67.8	64.3	60.5
PepsiCo Bottlers[2]					
Colas	19.7	24.7	28.1	34.0	37.8
Total Soft Drinks	26.4	30.3	32.2	35.7	39.5
Southeast Territory					
The Company					
Colas	78.2	77.1	75.7	74.3	74.6
Total Soft Drinks	77.7	76.8	75.9	74.7	71.8
PepsiCo Bottlers[3]					
Colas	21.8	22.9	24.3	25.7	25.4

(1) Information was based on estimates made jointly by The Coca-Cola Company and PepsiCo.
(2) The Company's Valley of Mexico Territory encompasses the territories of two PepsiCo bottlers.
(3) The Company's Southeast Territory encompasses the territories of two PepsiCo bottlers.

The following chart estimates the sales share of the Company and that of all other carbonated soft drink producers.

Company Sales as a Percentage of Total Soft Drink Sales

	Year ended December 31,				
	1999	1998	1997	1996	1995
	(in percentages)				
Valley of Mexico[1]					
Cola Sales Share	42.9 %	41.1 %	40.8 %	37.5 %	35.4 %
Flavored Sales Share	18.3	15.0	11.9	8.6	6.1
Total Sales Share	61.2 %	56.1 %	52.7 %	46.1 %	41.5 %
Southeast Territory[2]					
Cola Sales Share	52.4 %	50.2 %	50.0 %	48.9 %	48.2 %
Flavored Sales Share	15.1	15.5	16.1	16.3	15.9
Total Sales Share	67.5 %	65.7 %	66.1 %	65.2 %	64.1 %

(1) Information for the years ended December 31, 1999, 1998, 1997, 1996 and 1995 was obtained from A.C. Nielsen.
(2) The Company estimated the information for the years ended December 31, 1999, 1998, 1997, 1996 and 1995 based on information from The Coca-Cola Company relating to sales in certain areas in the Southeast Territory and based on internal data relating to sales in other areas in the Southeast Territory.

Argentine Operations. The Company estimates that sales of its products accounted for 57.7% and 60.5% of total soft drink sales in the Buenos Aires Territory in 1999 and 1998, respectively, and that its sales of cola beverages accounted for 77.5% and 77.7% of total cola sales in the territory in 1999 and 1998, respectively. Coca-Cola FEMSA does not bottle or distribute products other than Coca-Cola Trademark Beverages in the Buenos Aires Territory.

The following chart compares sales share of the Company and PepsiCo bottlers in the Buenos Aires Territory.

Share of Sales of the Company and PepsiCo Bottlers [1]

	Year ended December 31,				
	1999	**1998** [2]	**1997**	**1996** [3]	**1995**
	(in percentages)				
Buenos Aires Territory					
The Company					
Colas	83.1 %	82.0 %	77.8 %	76.5 %	77.8 %
Total Soft Drinks	65.9	66.6	63.0	61.1	61.0
PepsiCo Bottlers					
Colas	16.9	18.0	22.2	23.5	22.2
Total Soft Drinks	34.1	33.4	37.0	38.9	39.0

(1) Information was obtained from Nielsen Argentina.
(2) Information for 1998 does not include accounts previously served by RDN.
(3) Information for 1996 includes all accounts previously served by SIRSA.

The Company has maintained a larger share of total soft drink sales and a significantly larger share of cola sales than PepsiCo bottlers in the Greater Buenos Aires area. The competitive environment faced by the Company in the Buenos Aires Territory, however, has intensified over the last several years with the entrance of a number of competitors producing non-branded, low-priced soft drinks. Competitors include *Harlem Cola, Cordoba, Mirinda* and a number of other "price-brand" products and private label proprietary supermarket brands that are produced by contract bottlers.

Company Sales as a Percentage of Total Soft Drink Sales [1]

	Year ended December 31,				
	1999	**1998** [2]	**1997**	**1996** [3]	**1995**
	(In percentages)				
Buenos Aires Territory					
Cola Sales Share	41.2 %	44.3 %	41.9 %	41.3 %	40.2 %
Flavored Sales Share	16.5	16.2	16.3	17.4	18.1
Total Sales Share	57.7 %	60.5 %	58.2 %	58.7 %	58.3 %

(1) Information was obtained from Nielsen Argentina.
(2) Information for 1998 does not include accounts previously served by RDN.
(3) Information for 1996 includes all accounts previously served by SIRSA.

Raw Materials

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

None of the materials or supplies used by Coca-Cola FEMSA is presently in short supply, although the supply of specific materials could be adversely affected by strikes, weather conditions, governmental controls or national emergency situations.

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

Prior to 1995, Coca-Cola FEMSA purchased all of its Coca-Cola Trademark Beverages metal can presentations from Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA"), a bottler cooperative in which Coca-Cola FEMSA held an approximate 19% interest. After the Company's 1997 acquisition of the Tapachula Franchise, which held an approximate 0.6% interest in IEQSA, Coca-Cola FEMSA's total interest in IEQSA reached 19.6%. See Item 9, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisition of Tapachula Franchise."

In 1995, Coca-Cola FEMSA received authorization and began producing Coca-Cola Trademark Beverages in can presentations. The Company, however, continues to purchase some can presentations from IEQSA. IEQSA and Coca-Cola FEMSA purchase a portion of their empty can supply requirements from Fábricas Monterrey, S.A. de C.V. ("Famosa"), a subsidiary of FEMSA Empaques.

The Company obtains water from ground water sources under concessions obtained from the Mexican Government and held by various subsidiaries of Coca-Cola FEMSA. The Company also obtains water from the municipalities where bottling plants are located. See "—Regulation—Water Supply Law." Management believes that such sources provide an adequate supply of water to meet the Company's current and projected requirements in Mexico. In addition, the Company obtains carbon dioxide gas from domestic sources.

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

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

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

	1999	**1998**	**1997**	**1996**	**1995**
Change over previous year [1]	(12.7)%	2.2%	8.3%	8.6%	7.2%

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[1] Excludes the effect of inflation

In order to reduce its sweetener costs, the Company has installed equipment within several of its production facilities in Mexican Territories to process raw sugar.

With the authorization of The Coca-Cola Company, Coca-Cola FEMSA may utilize HFCS as a substitute for sugar. The Company buys HFCS from domestic sources (which may import finished HFCS or the corn required to produce the substitute) at prices competitive to the price of sugar. Imported HFCS is currently subject to import duties, the amount of which is set by the Mexican Government. As in the case of sugar, increases in the price of HFCS, including increases that may occur in the event that import duties increase or import restrictions on HFCS are imposed, will either increase the Company's cost of sales and adversely affect net earnings to the extent the Company is unable to pass along the full amount of such increases to the consumer.

Of the raw materials required in the bottling of the Company's products, the prices of aluminum cans, plastic PET bottles, bottle closures (both steel and plastic), other packaging materials and HFCS are quoted in U.S. dollars and therefore are affected by the fluctuation of the peso against the U.S. dollar. The Company's strategy is to pass on increases in these costs to its customers in the form of price increases. During 1999, the average real unit price in Mexican peso of these dollar-denominated costs decreased on average. This decrease was the result of (i) lower dollar costs of some of these raw materials and (ii) the appreciation of the Mexican peso against the U.S. dollar. All of the Company's raw material requirements excluding those stated above for its Mexican Territories, including concentrate, are priced and purchased by the Company in pesos.

Argentine Operations. The Company purchases glass bottles, plastic trays and other raw materials from several domestic sources. The Company purchases pre-formed plastic ingots, as well as returnable PET bottles, at competitive prices from Complejo Industrial PET S.A. ("CIPET"), a local subsidiary of Embotelladora Andina S.A., and other international suppliers. The Company purchases crown caps and some commercial refrigeration equipment from subsidiaries of FEMSA Empaques.

The Company purchases its can presentations for distribution to its customers in Buenos Aires from Complejo Industrial CAN S.A. ("CICAN"). In December 1996, The Coca-Cola Company sold CICAN to a group of bottlers that included Coca-Cola FEMSA Buenos Aires. Under the terms of the shareholders' agreement among such bottlers, CICAN is managed as a joint venture. Coca-Cola FEMSA Buenos Aires paid A$4.6 million (in nominal 1996 pesos) for a 44.2% equity interest in CICAN (48.1% as of December 31, 1999).

The Company obtains water for its two plants in Buenos Aires from different sources. At the San Justo plant, water is obtained from ground sources owned by the Company, while at the Alcorta plant, water is obtained from Aguas Argentinas S.A. ("Aguas Argentinas"), a private company responsible for managing the public water supply. Management believes that these sources provide an adequate supply of water to meet the Company's needs for its Argentine operations. Praxair Argentina S.A. provides the Company's requirements of carbon dioxide gas.

The Company purchases sugar from various domestic suppliers and negotiates sugar prices independently with its suppliers, the prices of which are not subject to Argentine price controls. Imported sugar is subject to import duties that are set by the Argentine Government and fluctuate in order to equalize the price of sugar obtained from domestic and international sources.

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

	1999	1998	1997	1996	1995
Change over previous year [1]	(22.1%)	2.8%	4.1%	9.2%	6.0%

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[1] Adjusted for inflation

HFCS is obtained from domestic sources at prices competitive with the price of sugar. As in its Mexican operations, the Company may utilize sugar or HFCS as sweeteners in their products, the mix of which (sugar or HFCS)

is authorized by The Coca-Cola Company. Aspartame, an artificial sweetener for diet sodas, is included in the concentrate of *Coca-Cola light* and *Sprite light*, which is purchased from The Coca-Cola Company.

Regulation

Price Controls. Prior to 1992, prices of carbonated soft drinks were regulated by the Mexican Government. From 1992 to 1995, the industry was subject to voluntary price restraints. However, in response to the devaluation of the peso relative to the U.S. dollar in 1994 and 1995, the Mexican Government adopted an economic recovery plan to control inflationary pressures in 1995. As part of this plan, the Mexican Government encouraged the *Asociación Mexicana de Productores de Refrescos y Aguas Carbonatadas, A.C.* (the Mexican Association of Soft Drink and Carbonated Water Producers or "AMPRAC") to engage in voluntary consultations with the Mexican Government with respect to price increases for returnable presentations, limiting the ability of the Company to pass on increases in the prices of raw materials. Such voluntary consultations were terminated in 1996. Due to their gradual implementation, price increases in 1996, 1997 and 1998 did not totally offset the effect of inflation. The Company implemented strategic price increases throughout 1999, resulting in a 2.6% real price increase for the Mexican Territories for 1999. The Company anticipates additional price increases in 2000.

Through the availability of data provided by sophisticated information systems, Coca-Cola FEMSA implemented a more strategic pricing policy during 1999. Going forward, the Company will utilize customer demand, channel, and geographic product and packaging information to make constant improvements to its segmented pricing schedule.

The Company believes that it is in full compliance in all material respects with Mexican and Argentinian Competition laws. See Item 3, "—Legal Proceedings."

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

Water Supply Law. The Company purchases water directly from municipal water companies and pumps water from its own wells pursuant to concessions obtained from the Mexican Government on a plant-by-plant basis. Water use in Mexico is regulated primarily by the *Ley de Aguas Nacionales de 1992* (including regulations issued thereunder, the "1992 Water Law"), which replaced the *Ley de Aguas Nacionales de 1972* (including the regulations issued thereunder, the "1972 Water Law") and created the *Comisión Nacional del Agua* (the "National Water Commission"). The National Water Commission is charged with overseeing the national system of water use. Under the 1992 Water Law, concessions for the use of a specific volume of ground or surface waters are granted for a term not exceeding fifty years, and run generally for five-, ten- or fifteen-year terms, depending on the supply of groundwater in each region as projected by the National Water Commission. Concessionaires may request concession terms to be extended upon termination. The Mexican Government is authorized to reduce the volume of ground or surface water granted for use by a concession by whatever volume of water is not used by the concessionaire for three consecutive years. However, because the current concessions for each Coca-Cola FEMSA plant in Mexico do not match projected needs for water in future years, the Company successfully negotiated with the Mexican Government for the right to transfer the unneeded portion of rights under certain concessions from certain plants to other plants anticipating greater water usage in the future. The Company's concessions may be terminated if, among other things, (i) the Company uses more water than permitted, (ii) the Company fails to pay required concession-related fees, and (iii) the Company fails to complete agreed-upon construction or improvements. Management believes that it is in compliance with the terms of its existing concessions and that such concessions satisfy the Company's current water requirements in Mexico.

Although the Company has not undertaken independent studies to confirm the sufficiency of the existing or future groundwater supply, management believes that the Company's existing concessions satisfy the Company's current water requirements in Mexico. There can be no assurances, however, that groundwater will be available in sufficient quantities to meet the Company's future production needs.

Pursuant to Argentine water regulations, the Company is required to obtain permits from the Argentine Government to obtain water from certain underground sources. Because the Alcorta plant does not use water from underground sources, no permit for water use is necessary. Water supply for the Alcorta plant is via viaduct from Aguas Argentinas, a privately-owned concessionaire of the Argentine Government. The San Justo plant is entitled to use underground water resources until such time as Aguas Argentinas is able to supply its water needs. If, however, the water supply from Aguas Argentinas is interrupted, Coca-Cola FEMSA Buenos Aires expects that the San Justo plant will be able to resume the use of its underground water resources. The Company cannot assure, however, that water will be available in sufficient quantities to meet future production needs.

Environmental Matters. The Company's Mexican operations are subject to Mexican federal and state laws and regulations relating to the protection of the environment. The principal legislation is the federal *Ley General de Equilibrio Ecológico y Protección al Ambiente* (the General Law for Ecological Equilibrium and Environmental Protection or "Environmental Law"), which is enforced by the *Secretaría del Medio Ambiente, Recursos Naturales y Pesca* (the Ministry of the Environment, Natural Resources and Fisheries, or "SEMARNAP"). SEMARNAP can bring administrative and criminal proceedings against companies that violate environmental laws, and it also has the power to close non-complying facilities. Under the Environmental Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances. In particular, Mexican environmental laws and regulations require the Company to file periodic reports with respect to air and water emissions and hazardous wastes and set forth standards for waste water discharge that apply to the Company's operations. The Company is also subject to certain minimal restrictions on the operation of delivery trucks in Mexico City. The Company implemented several programs designed to facilitate compliance with air, waste, noise, and energy standards established by current Mexican federal and state environmental laws, including a program that installs catalytic converters and liquid petroleum gas in delivery trucks for its operations in Mexico City. See "—Product Distribution."

The *Ley Federal de Derechos* (the "Federal Law of Governmental Fees"), adopted in January 1993, provides that plants located in Mexico City that use deep water wells to supply their water requirements must pay a fee to the city for the discharge of residual waste water to drainage. In 1995, municipal authorities began to test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by SEMARNAP. All of the Company's bottling plants located in the Valley of Mexico Territory, as well as the Toluca plant, met these new standards in 1999, and as a result, the Company was not subject to additional fees. See Item 2, "Description of Property—Production Facilities."

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

The Company has expended, and may be required to expend in the future, funds for compliance with and remediation under Mexican and Argentine environmental laws and regulations. The Company does not believe that such costs will have a material adverse effect on the Company's results of operations or financial condition. However, since environmental laws and regulations are becoming increasingly more stringent, to the extent that increased costs of compliance and remediation cannot be passed on to its customers, such costs may have a material adverse effect on the Company's future results of operations or financial condition.

Employees

On December 31, 1999, Coca-Cola FEMSA employed 15,273 employees, including 12,889 employees in Mexico and 2,384 employees in Argentina. On December 31, 1999, approximately 61% of the Company's employees, most of whom were employed in Mexico, were members of labor unions. Coca-Cola FEMSA has 39 separate collective bargaining agreements with six labor unions represented at the Company's Mexican operations and one collective bargaining agreement with one labor union in Buenos Aires. In Mexico, wages are renegotiated every year while other terms and conditions of employment are renegotiated every two years. In Buenos Aires, the collective bargaining agreement is negotiated between the *Cámara Argentina de la Industria de Bebidas sin Alcohol* (the Argentine Chamber of the Non-alcoholic Beverages Industry) on behalf of the beverage producers, and the *Federación Argentina de Trabajadores de Aguas Gaseosas* (the Argentine Federation of Soft Drink Workers), on behalf of the soft drink industry workers. The Argentine Government is not involved in these negotiations.

Related-Party Transactions

The Company regularly engages in transactions with FEMSA, The Coca-Cola Company, and their affiliates. In 1999, Coca-Cola FEMSA purchased crown caps, plastic bottle caps, commercial refrigerators, lubricants, detergents, plastic cases, and substantially all of Coca-Cola FEMSA's returnable glass bottle requirements for its Mexican operations from FEMSA Empaques, an indirect, wholly-owned subsidiary of FEMSA, under two supply agreements. The aggregate amount of such purchases was Ps. 515.9 million in 1999. The Company also purchases some refrigerators from a subsidiary of FEMSA Empaques for the Buenos Aires Territory. Also, some canned beverages in the Mexican Territories are purchased from IEQSA, which in turn purchases a portion of empty cans from Famosa, a subsidiary of FEMSA Empaques. In 1999, Coca-Cola FEMSA Buenos Aires purchased all of its can presentations and a portion of its plastic ingot requirements for producing PET bottles from CICAN and CIPET, respectively. In addition, the Company purchases all of its returnable bottle requirements from CIPET. CICAN is a joint venture between The Coca-Cola Bottlers in Argentina and CIPET is a local subsidiary of Embotelladora Andina, S.A. Management believes that the Company's purchasing practices result in prices comparable to those that would be obtained in arm's length negotiations with unaffiliated parties.

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

In November 1997, the Company and FEMSA Logística, S.A. de C.V. ("FEMSA Logística"), an indirect subsidiary of FEMSA, entered into a service agreement. Under this agreement, FEMSA Logística transports finished product from the Company's production facilities to its distribution centers within Mexico.

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

The Company and The Coca-Cola Company pay and reimburse each other for marketing expenditures under a cooperative marketing arrangement. In addition, The Coca-Cola Company has made payments to the Company in connection with cold-drink equipment investment and other volume driving investment programs. The Company

purchases all of its concentrate requirements for Coca-Cola Trademark Beverages from The Coca-Cola Company and, in 1996, the Company entered into a five-year lease with The Coca-Cola Company for its main offices in Mexico City.

Bottler Contracts

Bottler contracts are the standard contracts that The Coca-Cola Company enters into with bottlers outside the United States for the sale of concentrates for certain soft drinks of The Coca-Cola Company. Coca-Cola FEMSA manufactures, packages, distributes, and sells soft drink beverages and bottled water in its Mexican Territories under the two Mexican Bottler Contracts entered into by Coca-Cola FEMSA and The Coca-Cola Company on June 21, 1993 (one of which, relating to the Southeast Territory, was amended October 30, 1997). One Mexican Bottler Contract governs the Valley of Mexico Territory and the other Mexican Bottler Contract governs the Southeast Territory.

Coca-Cola FEMSA also manufactures, packages, distributes, and sells soft drink beverages and bottled water in its Buenos Aires Territory under the Buenos Aires Bottler Contract. The original contract was signed on September 1, 1994. The contract was amended on December 1, 1995 to include the San Isidro area and again on June 2, 1998 to include the Pilar area. Both San Isidro and Pilar are part of the greater Buenos Aires area.

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

The Bottler Contracts include an acknowledgment by Coca-Cola FEMSA that The Coca-Cola Company is the sole owner of the trademarks that identify the Coca-Cola Trademark Beverages and of the secret formulas with which The Coca-Cola Company's concentrates are made. Subject to Coca-Cola FEMSA's exclusive right to distribute Coca-Cola Trademark Beverages in its territories, The Coca-Cola Company reserves the right to import and export Coca-Cola Trademark Beverages to and from Mexico and Argentina. The Bottler Contracts do not contain restrictions on The Coca-Cola Company's ability to set the price of concentrates charged to bottlers and do not impose minimum marketing obligations on The Coca-Cola Company. The prices at which Coca-Cola FEMSA purchases concentrates under the Bottler Contracts may vary materially from the prices it has historically paid, including during the periods covered by the financial information for Coca-Cola FEMSA attached to this Form 20-F. Under the Company's by-laws and the Shareholders Agreement, however, an adverse action of The Coca-Cola Company under any of the Bottler Contracts may result in a suspension of certain veto rights of the directors ("Series D Directors") appointed by The Coca-Cola Company through Inmex. See Item 4, "Control of Registrant—The Shareholders Agreement."

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

authorized containers, packaging, and labeling of The Coca-Cola Company so as to conform to policies prescribed by The Coca-Cola Company. In particular, Coca-Cola FEMSA is obligated to:

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

The Coca-Cola Company has no obligation to participate with Coca-Cola FEMSA in expenditures for advertising and marketing, but it may, at its discretion, contribute to such expenditures and undertake independent advertising and marketing activities, as well as cooperative advertising and sales promotion programs that would require the cooperation and support of Coca-Cola FEMSA. The Coca-Cola Company has in each of the past five years contributed approximately half of the Company's advertising and marketing budget in the Mexican Territories and, since September 1994, approximately half of such budget in the Buenos Aires Territory. Although the Company believes that The Coca-Cola Company intends to continue to provide cooperative advertising funds, it is not obligated to do so under the Bottler Contracts. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. See Item 4, "Control of Registrant—The Shareholders Agreement."

The two Mexican Bottler Contracts have terms of ten years and will each expire on June 20, 2003. The Buenos Aires Bottler Contract has a term of ten years and will expire on September 1, 2004. The Bottler Contracts are automatically renewable for ten-year terms, subject to non-renewal by either party (with notice to the other party). The Bottler Contracts are subject to termination by The Coca-Cola Company in the event of default by Coca-Cola FEMSA. The event of default provisions limiting the change in ownership or control of Coca-Cola FEMSA and the assignment or transfer of the Bottler Contracts are designed to preclude any person not acceptable to The Coca-Cola Company from obtaining an assignment of a Bottler Contract or from acquiring Coca-Cola FEMSA, and are independent of similar rights of Inmex set forth in the Shareholders Agreement. These provisions may prevent changes in the Principal Shareholders (as defined below) of Coca-Cola FEMSA, including mergers or acquisitions involving sales or dispositions of capital stock of Coca-Cola FEMSA, without the consent of The Coca-Cola Company. See Item 4, "Control of Registrant—The Shareholders Agreement."

Coca-Cola FEMSA and The Coca-Cola Company entered into two supplemental agreements on June 21, 1993 and September 1, 1994 (collectively, the "Supplemental Agreements"), which together clarify and expand certain provisions of the Bottler Contracts. Among other things, the Supplemental Agreements:

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

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

ITEM 2. DESCRIPTION OF PROPERTY

Total Asset Value Summary

	Book Value	
	(millions of pesos)	**(% of total)**
Mexican Territories	6,663.2	59.7%
Buenos Aires Territory	4,493.2	40.3%
Total	11,156.2	100%

Property, Plant and Equipment Summary
At December 31, 1999

	Book Value	
	(millions of pesos)	**(% of total)**
Valley of Mexico Territory	3,905.9	56.1%
Southeast Territory	1,680.2	24.1%
Buenos Aires Territory	1,374.5	19.8%
Total	6,960.6	100%

Production Facilities

Over the past several years, the Company made significant capital improvements to modernize its facilities and improve operating efficiency and productivity. These initiatives include:

- Increasing the annual capacity of its bottling plants;
- Installation of clarification facilities to process different types of sweeteners;
- Installation of PET bottle blowing equipment and can presentation capacity;
- Modifications to increase flexibility to produce different presentations, including "swing lines" that can bottle both non-returnable and returnable presentations; and
- Closure of obsolete production facilities.

Mexican Operations. In January 1999, the Company closed the Churubusco bottling facility. As of December 31, 1999, the Company owned six bottling plants in the Valley of Mexico and Toluca with a combined total installed annual capacity of 430.0 million unit cases and a capacity utilization of 74%. As part of its capacity rationalization efforts, the Comp any also closed the Tlalnepntla bottling facility in March 2000. The installed capacity of the closed plant was compensated for by increased production at the Company's other production facilities in the Valley of Mexico and Toluca. In the Southeast Territory, the Company operates six bottling plants with a combined total installed annual capacity of 152.3 million unit cases and with capacity utilization of 66%.

As of December 31, 1999, the Company owned 17 and rented three large distribution centers in the Valley of Mexico Territory and owned 17 and rented 22 large distribution centers in the Southeast Territory.

Argentine Operations. As of December 31, 1999, the Company owned two bottling plants in the Buenos Aires Territory with a total installed annual capacity of 225.7 million unit cases and a capacity utilization of 62.1%. In June 2000, the San Justo plant ceased production operations but remained open as part of the Company's plan to utilize the distribution center facilities at that location going forward.

As of December 31, 1999, the Company owned and operated eight bottling lines and four distribution centers and rented one large distribution center in the Buenos Aires Territory.

Production Facility Summary
At December 31, 1999

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

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(1) In March 2000, the Tlalnepantla plant, located in the Valley of Mexico, was closed. As of June 2000, the Company operated five plants in the Valley of Mexico and Toluca.
(2) In June 2000, the San Justo plant ceased production operations indefinitely.

ITEM 3. LEGAL PROCEEDINGS

On January 14, 1999, the *Comisión Federal de Competencia* (the "Mexican Federal Antitrust Commission") announced that it was investigating the Mexican soft drink industry's product pricing behavior. On January 29, 1999, the Commission formally notified the Company that it was investigating the Company's pricing policies. On March 15, 1999, the Commission concluded that there was no evidence to support a finding of price-fixing, and the investigation was closed.

In May of 2000, the Mexican Federal Antitrust Commission notified Coca-Cola FEMSA that it was investigating The Coca-Cola Company and the bottlers of Coca-Cola Trademark Beverages in Mexico, including Coca-Cola FEMSA. This investigation focuses on monopolistic practices within the soft drink industry in Mexico. The Company is cooperating with the authorities in this investigation and believes it is in full compliance with all relevant national competition laws and regulations. However, the Company cannot give any assurance that such legal actions will not negatively affect it in the future.

ITEM 4. CONTROL OF REGISTRANT

The Company's principal shareholders are Emprex, a direct subsidiary of FEMSA, a publicly traded company listed on the Mexican Stock Exchange and on The New York Stock Exchange, and Inmex, a wholly owned subsidiary of The Coca-Cola Export Corporation and an indirect subsidiary of The Coca-Cola Company. See Item 1, "Description of Business—Corporate Background."

The Company's share capital consists of three classes of securities: Series A Shares held by Emprex, Series D Shares held by Inmex, and Series L Shares, held by the public. On January 28, 1998, the Company effected a three-for-one stock split. The capital structure of the Company at December 31, 1999 was as follows:

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

* Holders of Series L Shares are only entitled to vote in limited circumstances. See Item 6, "Exchange Controls and Other Limitations Affecting Securityholders." Holders of American Depositary Receipts ("ADRs") are entitled to instruct The Bank of New York, the Depositary for the ADSs represented by the ADRs, as to the exercise of the limited voting rights pertaining to the Series L Shares represented by their ADSs.

In addition, 270,750,000 Series B Shares, without par value, and 204,000,000 Series L Shares have been authorized and issued, but have not been subscribed and are currently held in treasury.

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

The following table sets forth the names of all persons known by the Company to be the beneficial owner of more than 10% of any class of the voting common stock of the Company, and the beneficial ownership of the voting common stock of the Company of the officers and directors as a group at December 31, 1999.

Shareholder	Title of Class	Amount Owned	% of Class
Trust Participants under Irrevocable Trust No. F/29487-6 established at Bancomer, S.A., as Trustee(1)	Series A Shares	365,655,000	50.3
Other officers and directors as a group(2)	Series A Shares	365,362,117	50.3
	Series D Shares	0	0
	Series L Shares	249,113	*

* Less than 1%.

(1) As of December 31, 1999, the trust participants under Irrevocable Trust No. F/29487-6 established at Bancomer, S.A., as Trustee, included: Max Michel Suberville, Eugenio Garza Lagüera, Paulina Garza Gonda de Marroquín, Bárbara Garza Gonda de Braniff, Mariana Garza Gonda de Treviño Bryan, Eva Gonda de Garza, Jose Antonio Fernández Carbajal, Eva Garza Gonda de Fernández, Juan Carlos Braniff Hierro, Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Patricio Garza Garza, Juan Carlos Garza Garza, Eduardo Garza Garza, Eugenio Garza Garza, Alberto Bailleres, Maria Teresa G. de Bailleres, Inversiones Bursátiles Industriales, S.A. de C.V., Corbal, S.A. de C.V., Magdalena M. de David, Alepage, S.A., Bancomer, S.A., as Trustee under Trust No. F/29013-0, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, Inversiones Franca, S.A. de C.V., and Bancomer, S.A., as Trustee under Trust No. F/29490-0 (together all of them the "Trust Participants").

(2) Includes shares beneficially owned by the Trust Participants under Irrevocable Trust No. F/29487-6 established at Bancomer, S.A., as Trustee.

The Shareholders Agreement

In connection with the subscription by Inmex (a wholly owned indirect subsidiary of The Coca-Cola Company) of 30% of the Company's capital stock, FEMSA and The Coca-Cola Company agreed that the Company would be managed as a joint venture. Accordingly, in June 1993, Emprex (FEMSA's subsidiary), which is the direct holder of the Series A Shares, Inmex and The Coca-Cola Company entered into the Shareholders Agreement, which, together with the Company's by-laws, sets forth the basic rules under which the Company operates.

In the Shareholders Agreement, Emprex and Inmex (each a "Principal Shareholder" and, collectively, the "Principal Shareholders") confirm their agreement to the corporate governance provisions set forth in the Company's by-laws relating to the composition of the Board of Directors and the executive officers of the Company as well as to the election of the members of such board and officers. See Item 10, "Directors and Officers of Registrant." In addition, the Shareholders Agreement embodies the Principal Shareholders' agreement that the Company be managed in accordance with one-year and five-year business plans.

The Shareholders Agreement also sets forth the Principal Shareholders' understanding as to the effect of adverse actions of The Coca-Cola Company under the Bottler Contracts as set forth in the Company's by-laws. The Company's by-laws provide that a majority of the directors appointed by the holders of Series A Shares ("Series A Directors"), upon making a reasonable, good faith determination that any action of The Coca-Cola Company under any Bottler Contract or Supplemental Agreement between The Coca-Cola Company and Coca-Cola FEMSA or any of its subsidiaries is materially adverse to the business interests of the Company and that The Coca-Cola Company has failed to cure such action within 60 days of notice thereof, may declare at any time within 90 days thereafter a "Simple Majority Period." During the Simple Majority Period certain decisions, namely the approval and material changing of the one-year and five-year business plans of the Company and the introduction of a new, or termination of, an existing line of business, which would ordinarily require the presence and approval by two Series D Directors, can be made by a simple majority vote of the entire Board of Directors of the Company, without requiring the presence or approval of any Series D Director. A majority of the Series A Directors may terminate a Simple Majority Period but, once having done so, cannot declare another Simple Majority Period during a one-year period following a termination. If a Simple Majority Period persists for one year or more, the provisions of the Shareholders Agreement for resolution of irreconcilable differences may be triggered, with the consequences outlined below.

In addition to the rights of first refusal provided for in the Company's by-laws regarding proposed transfers of Series A Shares or Series D Shares, the Shareholders Agreement contemplates three circumstances under which one Principal Shareholder may purchase the interest of the other in the Company: (i) a change in control in a Principal Shareholder; (ii) the existence of irreconcilable differences between the Principal Shareholders; or (iii) the occurrence of certain specified defaults.

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

The Shareholders Agreement also contains provisions relating to the Principal Shareholders' understanding as to the Company's growth. It states that it is The Coca-Cola Company's intention that the Company will be viewed as one of a small number of its "anchor" bottlers in Latin America. In particular, the parties agree that it is desirable for the Company to expand by acquiring additional bottler territories in Mexico and other Latin American countries in the

event any become available ("horizontal growth"). In addition, The Coca-Cola Company has agreed, subject to a number of conditions, that if it obtains ownership of a bottler territory that fits with the Company's operations, it will give the Company the option to acquire such territory. The Coca-Cola Company has also agreed to support prudent and sound modifications to the Company's capital structure to support horizontal growth. The Coca-Cola Company's agreement as to horizontal growth would cease to be in effect upon (i) the elimination of certain super-majority voting requirements in the event that Inmex's or Emprex's ownership of the Company's shares of capital stock other than the Series L Shares is reduced below 25% of all such shares as described above or (ii) The Coca-Cola Company's election to terminate the agreement following a specified default as described above.

ITEM 5. NATURE OF TRADING MARKET

ADRs representing the ADSs have been issued by the Bank of New York (the "Depositary"), as depositary for the ADSs. The Company's ADSs have been traded on the New York Stock Exchange, and the Company's Series L Shares on the Mexican Stock Exchange, since 1993. Each ADS represents ten Series L Shares. On December 31, 1999, approximately 96% of the publicly traded Series L Shares were held in the form of ADSs.

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

	Mexican Stock Exchange Pesos per L Share		New York Stock Exchange U.S. dollars per ADS	
	High	Low	High	Low
1995:				
First quarter	Ps. 4.25	Ps. 2.67	$ 8.04	$ 4.50
Second quarter	4.47	3.50	7.17	5.67
Third quarter	5.33	3.99	8.79	6.21
Fourth quarter	5.50	3.93	7.33	5.54
1996:				
First quarter	Ps. 6.29	Ps. 5.27	$ 8.67	$ 6.79
Second quarter	7.87	5.65	10.75	7.42
Third quarter	7.20	5.93	9.46	7.75
Fourth quarter	7.80	5.97	9.88	7.79
1997:				
First quarter	Ps. 9.85	Ps. 7.47	$ 12.63	$ 9.38
Second quarter	13.88	8.80	17.50	11.17
Third quarter	15.49	12.07	19.35	15.23
Fourth quarter	15.83	12.17	19.52	14.00
1998:				
First quarter	Ps. 17.52	Ps. 14.17	$ 20.44	$ 17.17
Second quarter	17.72	14.10	20.69	15.63
Third quarter	17.50	10.98	19.63	10.81
Fourth quarter	16.90	11.60	17.06	11.63
1999:				
First quarter	Ps. 16.90	Ps. 11.98	$ 17.25	$ 11.13
Second quarter	20.30	15.00	21.81	15.75
Third quarter	18.90	13.00	19.63	13.81
Fourth quarter	17.00	12.32	18.06	12.69
2000:				
First quarter	Ps. 19.00	Ps. 15.00	$ 20.56	$ 15.25

It is not practical for the Company to determine the proportion of the Series L Shares beneficially owned by U.S. persons.

Since November 1, 1996, the Company's Notes have been listed on the New York Stock Exchange. The following table sets forth, for the periods indicated, the reported high and low sales prices for the Notes on the New York Stock Exchange.

	New York Stock Exchange Percentage of Principal Amount	
	High	Low
1996:		
Fourth quarter	103.105	99.315
1997:		
First quarter	102.644	95.092
Second quarter	102.089	94.334
Third	106.064	102.008
Fourth quarter	106.626	94.351
1998:		
First quarter	105.080	103.000
Second quarter	106.000	99.000
Third quarter	103.000	82.000
Fourth quarter	101.000	95.125
1999:		
First quarter	102.809	90.156
Second quarter	101.534	93.543
Third quarter	101.048	90.534
Fourth quarter	101.897	97.863
1999:		
First quarter	104.965	99.237

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

Trading on the Mexican Stock Exchange

The Mexican Stock Exchange was founded in 1894, ceased operations in the early 1900's, and has operated continuously since 1907. It is located in Mexico City and is the only stock exchange in Mexico.

The Mexican Stock Exchange is organized as a corporation, whose shares are held by brokerage firms. These firms are exclusively authorized to trade on the floor of the Mexican Stock Exchange. Trading on the Mexican Stock Exchange takes place principally through an automated inter-dealer quotation system known as SENTRA, which is opened each business day between 8:30 a.m. and 3:00 p.m., Mexico City time. Each trading day is divided into six trading sessions with ten-minute periods separating each session. The size of trading lots is 1,000 shares. Brokerage firms are permitted to trade in odd lots only through a parallel computerized odd-lot trading system. The Series L Shares trade in lots of 1,000 Series L Shares.

The Mexican Stock Exchange publishes a daily official price list that includes price information on each listed security. For most issuers, the Mexican Stock Exchange operates a system of automatic suspension of dealing in shares of a particular issuer as a means of controlling excessive price volatility. Each day a price band is established, with the upper and lower limits generally being 5% above and below a reference price, which is initially the day's opening price. If during the day a bid or offer is accepted at a price outside this band, trading in the shares is automatically suspended for one hour. When trading resumes, the high point of the previous band becomes the new reference price in the event of a rise in the price of a security, and the low point of the previous band becomes the new reference price in the event of a fall in the price of a security. If it becomes necessary to suspend trading on a subsequent occasion on the same day, the suspension period lasts one and one-half hours. Suspension periods in effect at the close of trading are not carried over to the next trading day.

However, in accordance with the rules of the Mexican Stock Exchange, the Series L Shares are not subject to this system because they trade outside Mexico in the form of ADSs. In addition, the Mexican Stock Exchange can suspend trading in a security (including those not subject to the automatic suspension system described above) for up to five days if it determines that disorderly trading is occurring with respect thereto. The *Comisión Nacional Bancaria y de Valores* (the National Banking and Securities Commission or the "CNBV") must approve any increase in the length of the suspension period beyond five days.

Settlement is effected two trading days after a share transaction on the Mexican Stock Exchange. Deferred settlements, even if by mutual agreement, are not permitted without the approval of the CNBV. Most securities traded on the Mexican Stock Exchange are on deposit with S.D. Indeval, S.A. de C.V., *Institución para el Depósito de Valores* ("Indeval"), a central securities depositary owned by Mexican financial intermediaries that acts as a clearing house, depositary, custodian, settlement, transfer, and registration institution for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities.

As of December 31, 1999, the shares of 190 Mexican companies, excluding mutual funds, were listed on the Mexican Stock Exchange. According to the Mexican Stock Exchange, during 1999, the ten most actively traded equity issues represented approximately 50.2% of the total volume of equity issues (other than mutual funds) traded on the Mexican Stock Exchange, excluding public (primary and secondary) offerings of securities which were effected on the Mexican Stock Exchange in 1999. Although there is substantial participation by the public in the trading of securities on the Mexican Stock Exchange, a major part of such activity reflects transactions by institutional investors. There is no over-the-counter market for securities in Mexico, but trades in securities listed on the Mexican Stock Exchange can, subject to certain requirements, also be effected off of the Mexican Stock Exchange. However, due primarily to Mexican taxation of capital gains realized in off-exchange transactions, most transactions in listed Mexican securities are effected on the Mexican Stock Exchange.

The Mexican Stock Exchange and the CNBV have started to implement an automated trading system intended eventually to replace trading on the floor of the Mexican Stock Exchange.

The Mexican Stock Exchange is one of Latin America's largest exchanges by market capitalization, but it remains relatively small and illiquid compared to major world markets, and is subject to significant volatility. Following the devaluation of the peso in December 1994, the Mexican Stock Exchange Index declined (in peso terms) by approximately 36% from December 20, 1994 to February 27, 1995, and on several occasions in 1995, the Mexican Stock Exchange Index declined by more than 5% (in peso terms) in one day. During 1997, 1998, and 1999, the Mexican Stock Exchange Index increased by approximately 55.7% ,67.2%, and 80.1% in nominal peso terms, respectively.

Market Regulation and Registration Standards

In 1946, the *Comisión Nacional de Valores* (the National Securities Commission or the "CNV") was established to regulate stock market activity. In 1995, the CNV and the *Comisión Nacional Bancaria* (National Banking Commission) were merged to form the CNBV. The *Ley del Mercado de Valores* (the "Mexican Securities Market Law"), which took effect in 1975, introduced important structural changes to the Mexican financial system, including the organization of brokerage firms as corporations. The Mexican Securities Market Law sets standards for the registration of brokerage firms in the Intermediaries Section of the *Registro Nacional de Valores e Intermediarios* (the National Registry of Securities and Intermediaries or "RNVI"). Registration of brokerage firms, which is a prerequisite to becoming a member of the Mexican Stock Exchange, is granted by the CNBV upon recommendation of the Secretaría de Hacienda y Crédito Público (the Ministry of Finance and Public Credit or "Ministry of Finance"). Foreign securities firms are not permitted to be registered in the Intermediaries Section of the RNVI and, therefore, are not allowed to be members of the Mexican Stock Exchange. However, as a result of the North American Free Trade Agreement ("NAFTA"), the Mexican Securities Market Law was amended to permit the formation of a Mexican subsidiary by foreign financial institutions, which can be a member of the Mexican Stock Exchange. In addition to setting standards for brokerage firms, the Mexican Securities Market Law empowers the CNBV to regulate the public offering and trading of securities. The CNBV regulates the Mexican securities market, the Mexican Stock Exchange, and brokerage firms through a board of governors composed of 13 members appointed by the Ministry of Finance, *Banco de México* (the

Mexican central bank), the *Comisión Nacional de Seguros y Fianzas* (the National Insurance and Surety Commission), the *Comisión Nacional del Sistema de Ahorro para el Retiro* (the National Commission for the Retirement Savings System), and the president and vice presidents of the CNBV.

In order to offer securities to the public in Mexico, an issuer must meet certain qualitative and quantitative requirements, and only securities for which a listing application has been approved by the CNBV may be listed on the Mexican Stock Exchange. This approval does not imply any kind of certification or assurance related to the merits or the quality of the securities or the solvency of the issuer.

The CNBV established an intermediate securities market, which is also operated by the Mexican Stock Exchange, in order to permit less-liquid issuances and issuers with a lower capitalization to participate in a public securities market. In essence, the general rules divide the Securities Section of the RNVI into two subsections, Subsection "A" and Subsection "B". In addition to trading regularly in the auction process, registration of securities in Subsection "A" enables such securities to be eligible for certain transactions for which only securities classified as "high liquidity" issues by the Mexican Stock Exchange are eligible (*e.g.*, issuance of warrants).

In general, in order to become registered and maintain such registration in Subsection "A" of the RNVI, an issuer is required to meet more stringent qualitative and quantitative requirements than for Subsection "B". For example, in order to become registered in Subsection "A", an issuer is generally required to have (i) at least three years of operating history; (ii) shareholders' equity of at least Ps. 100,000,000; (iii) profits for the last three years of operation taken as a whole; (iv) a public float of at least 15% of the capital stock on a fully diluted basis; and (v) as a result of the offering, at least 200 shareholders, with diversified individual participation with respect to the total amount of the offering. To maintain its registration in Subsection "A", an issuer is required to have (i) shareholders' equity of at least Ps. 50,000,000; (ii) a public float of at least 12% of the capital stock on a fully diluted basis; and (iii) at least 100 shareholders, whose individual participation is diversified with respect to the total capitalization of the issuer, in accordance with the current market price for the securities. The foregoing amounts are updated on a yearly basis to reflect changes in the NCPI. The CNBV has the power to waive certain of these thresholds under certain circumstances. The Series L Shares of the Company are registered in Subsection "A."

The requirements for Subsection "B" are of the same nature, but the quantitative requirements are lower. The Mexican Stock Exchange carries out an annual review of each Subsection "A" issuer to determine if it continues to meet the eligibility requirements for registration in Subsection "A". The registration of the securities will be reclassified to Subsection "B" if the issuer does not meet the requirements for Subsection "A." In the event that the issuer does not meet the requirements to maintain the registration of its securities in Subsection "B," such registration and the listing thereof on the Mexican Stock Exchange may be canceled by the CNBV. Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements as well as various periodic reports with the CNBV and the Mexican Stock Exchange.

Pursuant to the Mexican Securities Market Law, if shareholders of a company listed on the Mexican Stock Exchange effect one or more simultaneous or successive transactions resulting in the transfer of 10% or more, or affecting a position representing 10% or more, or affecting a position representing 10% or more, of such company's capital stock then the CNBV must be notified by such Shareholder within ten days of completion of the last transaction. The CNBV will notify the Mexican Stock Exchange of such transactions, without specifying the names of the parties involved. In addition, shareholders effecting transactions outside the Mexican Stock Exchange that result in the transfer of 10% or more of the outstanding shares of a Mexican company, through simultaneous or successive transactions, are obligated to inform the CNBV prior to the occurrence of the transaction and thereafter of the result of such transaction (or that the transaction was not effected), within three days of the last relevant transaction.

ITEM 6. EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY-HOLDERS

Exchange Controls

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

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

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

Limitations Affecting Non-Mexican Securityholders

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

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

Under the Company's by-laws, holders of Series L Shares are entitled to vote only in limited circumstances. They may elect one of the Company's sixteen directors and, in certain circumstances where holders of Series L Shares have not voted for the director elected by holders of the majority of such series of shares, they may be entitled to elect one or more additional directors. See Item 10, "Directors and Officers of Registrant." In addition, (i) transformation of Coca-Cola FEMSA from one type of company to another (other than changing from a variable capital to fixed-capital corporation and vice versa), (ii) any merger where Coca-Cola FEMSA is not the surviving entity or any merger with an entity whose principal corporate purposes are different from those of the Company or its subsidiaries, and (iii) cancellation of the registration of the Company's shares with the RNVI or with other foreign stock exchanges on which its shares may be listed, require a quorum of 82% of the Company's capital stock

(including the Series L Shares) and the vote of at least a majority of the Company's capital stock voting (and not abstaining). The affirmative vote of 95% of the Company's capital stock (including the Series L Shares) and the approval of the CNBV would be required to amend the controlling shareholders' obligation under the by-laws to make a public offer to repurchase the Company's shares in the event the registration of the Company's shares in the Securities Section of the RNVI is cancelled. Except as described above and in the following paragraph, the holders of Series L Shares have no voting rights. Holders of Series L Shares are not entitled to attend or to address meetings of shareholders at which they are not entitled to vote.

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

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

General shareholders' meetings may be ordinary meetings or extraordinary meetings. General extraordinary meetings are those called to consider certain matters specified in Article 182 of the Mexican Companies Law and the by-laws, including, principally, amendments to the by-laws, liquidation, dissolution, merger, transformation from one type of corporate form to another, change in nationality, change of corporate purpose, issuance of convertible debentures, and increases and reductions of the fixed portion of the capital. In addition, the Company's by-laws require an extraordinary general meeting to consider the cancellation of the registration of the Company's shares with the RNVI or with other foreign stock exchanges on which its shares may be listed. General meetings called to consider all other matters are ordinary meetings which must be held at least once each year during the four months following the end of each fiscal year to consider certain matters specified in Article 181 of the Mexican Companies Law, including the election of directors and examiners, the determination of their compensation, and the approval of the report of the Board of Directors regarding the performance of the Company and the financial statements of the Company for the preceding fiscal year. Holders of Series L Shares are not entitled to attend or to address meetings of shareholders at which they are not entitled to vote.

Under Mexican law, holders of 33% of the Company's outstanding shares of common stock entitled to vote on a particular item may judicially oppose resolutions adopted at a general meeting if the following conditions are met: (i) such holders file a complaint with a Mexican court within 15 days after the adjournment of the meeting at which such action was taken; (ii) such holders' complaint details the provisions of the Mexican law or the Company's by-laws that are violated and the reason for their claim; and (iii) such holders were not represented at the meeting when the action was taken or, if represented, voted against such action.

Stockholders' meetings may be called by the Board of Directors, the examiners, and, under certain circumstances, a Mexican court. In addition, an ordinary meeting may be called by any holder of Series A or D Shares if an ordinary stockholders' meeting has not been held within the preceding two fiscal years or if any action required under Mexican law to be taken at any ordinary stockholders' meeting is not taken. The Board of Directors or the examiners may be required to call a stockholders' meeting at the written request of the holders of 33% of the outstanding Series A or D Shares or, in the case of a meeting at which holders of Series L Shares would be entitled to vote, at the written request of the holders of 33% of the outstanding Series L Shares. In the event that such a meeting is not called within 15 days following the date of such request, a Mexican court may require it to be called. Notices of meetings and agendas therefor must be published in the *Periódico Oficial del Estado de Nuevo León* (the "Official Gazette of the State of Nuevo León"), or a newspaper of general circulation in Monterrey, Nuevo León, Mexico, at least 15 days

prior to the date set for the meeting. To attend a meeting, stockholders must deposit their shares with the Company or with an institution for the deposit of securities prior to the meeting as indicated in the notice. If entitled to attend a meeting, a stockholder may be represented by an attorney-in-fact.

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

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

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

ITEM 7. TAXATION

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

This summary is based upon tax laws of the United States and Mexico as in effect on the date of this Form 20-F, including the provisions of the income tax treaty between the United States and Mexico (the "Tax Treaty"), which are subject to change. The summary does not address any tax consequences under the laws of any state or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States. Holders of the Notes, Series L Shares or ADSs should consult their tax advisers as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of Notes, Series L Shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws.

Mexican Taxation

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

Tax Considerations Relating to the Notes

Taxation of Interest and Principal in Respect of the Notes. Under Mexican income tax law, payments of interest by a Mexican issuer in respect of its notes (including payments of principal in excess of the issue price of such notes, which, under Mexican law, are deemed to be interest) to a non-resident holder will generally be subject to a Mexican withholding tax assessed at a rate of 10% if the relevant notes are registered with the Special Section of the National Registry of Securities and Intermediaries maintained by the National Banking and Securities Commission and the Notes are placed outside of Mexico through banks or brokerage houses.

Pursuant to Mexican income tax law, until June 30, 2000, payments made by the Company in respect of the Notes to a non-resident holder are subject to withholding at a reduced Mexican withholding tax rate of 4.9% (the "Reduced Rate") so long as (i) the effective beneficiary is a resident of a country which has entered into a treaty to avoid double taxation with Mexico; (ii) the requirements for the application of a lower rate established in the applicable treaty are satisfied; and (iii) the Notes are registered with the Special Section of the Registry.

Pursuant to general tax rules (the "Reduced Rate Regulations") issued by the Ministry of Finance, payments of interest made by the Company to non-resident holders with respect to the Notes will be subject to withholding taxes imposed at the Reduced Rate until March 5, 2001, regardless of the place or residence or tax regime applicable to the non-resident holder recipient of such interest, if (i) the Notes are registered with the Special Section of the Registry and the Notes are placed outside of Mexico through banks in brokerage houses, (ii) the Company timely filed with the Ministry of Finance certain information relating to the issuance of the Notes and the offering circular pursuant to which the Notes were originally issued after completion of the transactions contemplated thereby, (iii) the Company timely files with the Ministry of Finance, after the date of each interest payment under the Notes, information representing that no party related to the Company (defined under the Reduced Rate Regulations as parties that are (x) shareholders of the Company that own, directly or indirectly, individually or collectively, with related persons (within the meaning of the Reduced Rate Regulations) more than ten percent (10%) of the voting stock of the Company or (y) corporations more than twenty percent (20%) of the stock of which is owned, directly or indirectly, individually or collectively, with related persons of the Company), directly or indirectly, is the effective beneficiary of five percent (5%) or more of the aggregate amount of each such interest payment, and (iv) the Company maintains records which evidence compliance with (i), (ii) and (iii) above. The Company has complied with the foregoing conditions of the Reduced Rate Regulations to date, and expects that it will continue to do so. The Reduced Rate Regulations are promulgated on an annual basis, and no assurances may be given that the Reduced Rate Regulations described above for the application of the Reduced Rate will be extended beyond March 5, 2001.

Apart from the Reduced Rate Regulations, other provisions reducing the rate of Mexican withholding taxes may also apply. Under the Tax Treaty, the rate would be 4.9% for certain holders that are residents of the United States (within the meaning of the Tax Treaty).

Payments of interest made by the Company with respect to the Notes to non-Mexican pension or retirement funds will be exempt from Mexican withholding taxes, provided that any such fund (i) is duly incorporated pursuant

to the laws of its country of origin and is the effective beneficiary of the interest accrued, (ii) is exempt from income tax in such country, (iii) is registered with the Ministry of Finance for that purpose, and (iv) there is reciprocity in similar circumstances for Mexican pension or retirement funds in such country.

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

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

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

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

Tax Considerations Relating to the Series L Shares and the ADSs

Taxation of Dividends. Effective January 1, 1999, dividends paid with respect to the Series L Shares represented by ADSs or the Series L Shares to non-resident holders will be subject to Mexican withholding at a rate of approximately 7.7% (i.e. 5% of the dividend amount, grossed-up by the Mexican corporate tax on the dividend earnings).

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

Other Mexican Taxes

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

United States Taxation

Tax Considerations Relating to the Notes

Taxation of Interest and Additional Amounts in Respect of the Notes. A U.S. holder will treat the gross amount of interest and Additional Amounts (*i.e.*, without reduction for Mexican withholding taxes) as ordinary interest income in respect of the Notes. Mexican withholding taxes paid at the appropriate rate applicable to the U.S. holder will be

treated as foreign income taxes eligible for credit against such U.S. holder's United States federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of such U.S. holder, for deduction in computing such U.S. holder's taxable income. Interest and Additional Amounts constitute income from sources without the United States for foreign tax credit purposes. During any period where the Special Rate is in effect, as well as when the applicable Treaty Rate is 4.9%, such income generally will constitute "passive income" or, in the case of certain U.S. holders, "financial services income." If the Mexican withholding tax rate applicable to a U.S. holder is 5% or more, however, such income generally will constitute "high withholding tax interest."

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

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

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

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

Tax Considerations Relating to the Series L Shares and the ADSs

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

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

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

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

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

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

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

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

United States Backup Withholding and Information Reporting

A U.S. holder of ADSs may, under certain circumstances, be subject to "backup withholding" at the rate of 31% with respect to certain payments to such U.S. holder, such as dividends paid by the Company or the proceeds of a sale or disposition of ADSs, unless such holder (i) is a corporation or comes within certain exempt categories, and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules will be creditable against the holder's U.S. federal income tax liability. While Non-U.S. holders generally are exempt from backup withholding, a Non-U.S. holder may, in certain circumstances, be required to comply with certain information and identification procedures in order to prove this exemption.

ITEM 8. SELECTED FINANCIAL AND OPERATING DATA

Selected Financial Data

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

The financial statements at and for the years ended December 31, 1999, 1998, and 1997 of Coca-Cola FEMSA Buenos Aires were prepared in accordance with the Company's policies and generally accepted accounting principles in Argentina, which are similar to Mexican GAAP (except with respect to comprehensive inflation accounting, which was discontinued in Argentina as of August 1995 due to the low rates of inflation prevailing in Argentina). That subsidiary maintains its books in Argentine pesos. In order to consolidate financial information for that subsidiary for a particular period with other financial information of the Company, the Company translates the subsidiary's information using the product of the U.S. dollar/Argentine peso exchange rate and the peso/U.S. dollar exchange rate, in each case as in effect at the end of such period. The Company restated the subsidiary's financial

information for prior periods by applying the AWPI, but began restating the information in December 1998 by applying the ACPI. The Company then translates such restated information as described above, using the exchange rate in effect at the end of the most recent completed period for which financial results are being reported. For purposes of this Form 20-F, all amounts recorded in Argentine pesos are translated into pesos using the product of a U.S. dollar/Peso exchange rate of $1.00 = Ps. 9.495 and a U.S. dollar/Argentine peso exchange rate of $1.00=A$1.00 for December 31, 1999, which results in a conversion rate of Ps. 9.495 to A$1.00.

Included elsewhere in this Form 20-F are the Company's Consolidated Financial Statements. The Consolidated Financial Statements were prepared giving effect to Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," and Bulletin B-12, "Statement of Changes in Financial Position," issued by the Mexican Institute of Public Accountants. Generally, Bulletin B-10 is designed to provide for the recognition of certain effects of inflation by requiring Coca-Cola FEMSA to restate non-monetary liabilities using the NCPI, to restate the components of stockholders' equity using the NCPI, and to record gains or losses in purchasing power from holding monetary liabilities or assets. Through December 31, 1996, Bulletin B-10 further required that non-monetary assets be restated at replacement cost or using the NCPI; for purposes of the Consolidated Financial Statements, non-monetary assets have been restated at replacement cost. On January 1, 1997, the Fifth Amendment to Bulletin B-10 went into effect, which establishes an option to restate fixed assets by: (i) applying the NCPI; or (ii) for domestic fixed assets applying the NCPI, and for imported equipment, applying the inflation rate of the country of origin, then translated at the year-end exchange rate. The second option was adopted by the Company. Bulletin B-10 requires restatement of all financial statements to constant pesos as of the date of the most recent balance sheet presented. Bulletin B-12 requires that the statement of changes in financial position reconcile changes from the restated historical balance sheet to the current balance sheet. Accordingly, all data in the Consolidated Financial Statements, and the selected financial information derived therefrom set forth below, have been stated or restated in constant pesos of December 31, 1999. The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to U.S. GAAP. See Notes 21 and 22 to the Consolidated Financial Statements.

The final transfers of assets and bottling rights contemplated pursuant to the SIRSA Transactions were completed on February 1, 1996. Certain effects of the SIRSA Transactions, which were substantially consummated prior to the end of 1995, are reflected in the Company's financial statements for the year ended December 31, 1995. See Note 1 to the Consolidated Financial Statements.

The selected financial information contained herein is presented on a consolidated basis, and is not necessarily indicative of the financial position or results of operations of the Company at or for any future date or period.

At or for the Year ended December 31, [(1)]

	1999	1999	1998	1997	1996	1995
	(millions of U.S. dollars or constant Mexican pesos at December 31,1999)					
Income Statement Data:						
Mexican GAAP						
Total revenues	$ 1,496.3	Ps. 14,207.4	Ps. 13,590.0	Ps. 11,894.0	Ps. 10,784.2	Ps. 10,218.0
Cost of sales	790.2	7,503.3	7,520.0	6,486.4	6,110.7	5,826.7
Gross profit	706.1	6,704.1	6,070.0	5,407.6	4,673.5	4,391.3
Operating expenses	477.2	4,530.6	4,152.5	3,729.6	3,609.8	3,538.9
Goodwill amortization	12.4	117.7	125.3	101.0	95.4	49.4
Fixed asset adjustment	-	-	51.1	-	-	-
Income from operations	216.5	2,055.8	1,741.1	1,577.0	968.3	803.0
Net income	102.9	976.7	693.2	914.0	779.1	626.2
Majority income	102.9	976.7	693.2	883.6	747.8	574.7
U.S. GAAP						
Total revenues	$ 1,496.3	Ps. 14,207.4	Ps. 14,302.7	Ps. 12,409.9	Ps. 11,882.5	Ps. 12,120.2
Income from operations[(2)]	204.0	1,937.4	1,688.6	1,531.2	899.3	594.0
Net income	97.4	924.5	515.6	864.7	804.2	512.5
Majority income	97.4	924.5	515.6	829.7	762.8	434.2
Balance Sheet Data:						
Mexican GAAP:						
Total assets	$ 1,175.0	Ps. 11,156.2	Ps. 11,439.0	Ps. 10,842.1	Ps. 10,298.0	Ps. 9,297.2
Long-term debt	302.8	2,875.4	3,386.4	3,335.8	3,950.3	3,845.7
Majority stockholders' equity	624.4	5,928.2	5,235.5	4,842.9	4,289.7	3,839.6
Total stockholders' equity	624.4	5,928.2	5,235.5	4,842.9	4,769.7	4,190.5
U.S. GAAP						
Total assets	$ 1,204.3	Ps. 11,434.7	Ps. 12,104.6	Ps. 11,368.7	Ps. 11,152.8	Ps. 10,768.0
Long-term debt	302.8	2,875.4	3,392.9	3,345.6	3,984.5	3,892.1
Majority stockholders' equity	527.0	5,004.1	4,616.7	4,333.6	3,898.5	3,845.5
Total stockholders' equity	527.0	5,004.1	4,616.7	4,333.6	4,384.0	4,400.0

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

(2) The Company includes employee profit sharing as part of income from operations for purposes of U.S. GAAP.

Exchange Rates

The following table sets forth, for the periods indicated, the period-end, average, high and low, Noon Buying Rate, expressed in pesos per U.S. dollar. The rates have not been restated in constant currency units. All amounts are stated in pesos.

	Exchange Rate			
	High	Low	Average[1]	Year End
1995	8.14	5.00	6.42	7.74
1996	8.05	7.33	7.63	7.88
1997	8.05	7.74	7.92	7.96
1998	10.63	8.04	9.15	9.90
1999	10.60	9.24	9.56	9.48
First Quarter 2000 (January 1 – March 31)	9.64	9.18	9.43	9.29

(1) Average of end of month rates.

Unless otherwise indicated, U.S. dollar amounts have been translated from pesos at a rate of $1.00 to Ps. 9.495, the U.S. dollar/Mexican peso exchange rate at which the Company was able to purchase U.S. dollars at December 31, 1999.

Since November 1991, Mexico has had a free foreign exchange market. Prior to December 21, 1994, Banco de México maintained the peso/U.S. dollar exchange rate within a range prescribed by the Mexican Government through intervention in the foreign exchange market. Within the band, Banco de México generally intervened to reduce day-to-day fluctuations in the exchange rate. In December 1994, the Mexican Government suspended intervention by Banco de México and allowed the peso to float freely against the U.S. dollar. Factors contributing to this decision included the size of Mexico's current account deficit, the level of Banco de México's foreign exchange reserves, rising interest rates for other currencies (especially the U.S. dollar), and reduced confidence in the Mexican economy on the part of international investors. The peso declined sharply in December 1994 and continued to fall under conditions of high volatility in 1995. In 1996, the peso depreciated more slowly and was less volatile.

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

During 1999, the peso strengthened through the year largely due to the supporting factors of: (i) a strong U.S. economy demanding Mexican exports and (ii) increased confidence of international investors resulting in a strong increase in foreign investment in Mexico. Despite the recent improvements in Mexico's macroeconomic performance, the Company can make no assurances that the Mexican Government will maintain its current policies with regard to the peso or that the peso will not further depreciate or appreciate significantly in the future.

The Company pays any cash dividends in pesos; as a result, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADSs on conversion by the Depositary of cash dividends on the shares represented by such ADSs. Fluctuations in the exchange rate between the peso and the U.S. dollar have affected the U.S. dollar equivalent of the peso price of the Company's shares on the Mexican Stock Exchange and, consequently, have also affected the market price of the ADSs.

Dividends and Dividend Policy

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

Year	Pesos per Share (nominal)	U.S. dollars per Share
1995	0.021	0.003
1996	0.031	0.004
1997	0.070	0.009
1998	0.096	0.011
1999	0.123 …………………..	0.013

On March 7, 2000, the holders of Series A Shares and Series D Shares approved a cash dividend of Ps. 0.1533 per share for 1999 earnings payable to holders of Series A Shares, Series D Shares and Series L Shares. Such dividend will be paid on June 28, 2000.

The declaration, amount, and payment of dividends are subject to approval by holders of all series of the Company's stock voting as a single class, excluding the Series L Shares, generally upon the recommendation of the Board of Directors, and will depend upon Coca-Cola FEMSA's operating results, financial condition, capital requirements, general business conditions and the requirements of Mexican law. Accordingly, the Company's historical dividend payments are not necessarily indicative of the Company's future dividends.

ITEM 9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included in this Form 20-F. The Consolidated Financial Statements have been prepared in accordance with Mexican GAAP, which differ in certain significant respects from U.S. GAAP. Notes 21 and 22 to the Consolidated Financial Statements provide a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to Coca-Cola FEMSA and a reconciliation to U.S. GAAP of majority net income and majority stockholders' equity.

Included elsewhere in this Form 20-F are the Company's Consolidated Financial Statements. The Consolidated Financial Statements were prepared giving effect to Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," and Bulletin B-12, "Statement of Changes in Financial Position," issued by the Mexican Institute of Public Accountants. The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to U.S. GAAP. See Notes 21 and 22 to the Consolidated Financial Statements. See Item 8, "Selected Financial and Operating Data—Selected Financial Data."

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

Presentation Trends

In recent years the packaging trend in the soft drink industry has moved toward non-returnable presentations. In total, non-returnable presentations (including cans but excluding post-mix containers) represented 53.8% of the Company's total soft drink sales in the Mexican Territories in 1999, compared to 47.3% in 1998. In the Buenos Aires Territory, 83.8% of the Company's total soft drink sales in 1999 were in non-returnable presentations, compared to 83.2% in 1998. The Company believes that the trend toward non-returnable presentations has stabilized and that the non-returnable/returnable package mix will remain at its current level.

In 1999, the most popular presentation in the Mexican Territories was the 2-liter PET returnable bottle package; in the Buenos Aires Territory, it was the 2.25-liter non-returnable PET package. The Company's total sales volume has increased as it has altered its presentations to respond to the general shift in consumer preferences in favor of PET presentations. However, the higher raw material costs for non-returnable presentations negatively affected the Company's gross margins. See Item 1, "Description of Business—Sales." However, the Company has increased prices of non-returnable presentations relatively more than those of returnable presentations, thereby lessening the effect of the higher costs.

Economic Conditions in Mexico and Argentina

Mexico. Beginning in December 1994 and continuing into 1996, Mexico experienced an economic crisis characterized by exchange rate instability and devaluation, increased inflation, high domestic interest rates, negative or slow economic growth, reduced consumer purchasing power, and high unemployment. The economic crisis resulted in part from a series of internal disruptions and political events. In response to the economic crisis, the administration of President Ernesto Zedillo announced several emergency economic recovery and stabilization plans and accords among the government, business, and labor.

Economic conditions in Mexico generally improved in 1997, 1998, and 1999 with gross domestic product increasing by 6.8%, 4.8% and 3.7%, respectively, in each case as compared to the prior year. Interest rates on 28-day Certificados de Tesorería ("*Cetes*"), the benchmark interest rate of the Mexican Government's short-term paper, were

31.3%, 19.8%, 24.8%, and 21.6% in 1996, 1997, 1998 and 1999, respectively. Inflation during 1996, 1997, 1998, and 1999 was 27.7%, 15.7%, 18.6%, and 12.6%, respectively.

In 1999, the peso appreciated against the U.S. dollar, reaching Ps. 9.495 per U.S. dollar at December 31, 1999, a 3.9% increase in value relative to the dollar value of the peso at December 31, 1998. During the first quarter of 2000, the peso continued to appreciate to Ps. 9.29 per U.S. dollar, where it stood on March 31, 2000, although on June 23, 2000, the Noon Buying Rate was Ps. 9.975 to $1.00. See Item 8, "Selected Financial and Operating Data—Exchange Rates."

Parties opposed to the ruling Institutional Revolutionary Party ("PRI") control the lower house of the Mexican Congress and the mayoralty of Mexico City. The term of President Zedillo, a member of the PRI, will end in December 2000. Presidential elections for his successor will be held on July 2, 2000, and that transition in political power, including the election of a non-PRI candidate, could result in changes in Mexico's economic policies, which could have a material effect on the Company's business, financial condition and results of operations.

A reversal of the recent general improvements in Mexico's economic conditions, as well as periodic civil unrest (which Mexico may continue to experience despite the general improvement in its economic conditions), or other adverse social, political or economic developments in or affecting Mexico, could adversely affect the Company's business, results of operations, financial condition, ability to obtain financing and prospects.

Argentina. A substantial part of the Company's operations and properties are located in Argentina. For several decades, Argentina experienced periods of high inflation, slow or negative growth, declining investment rates, significant devaluation of the Argentine currency, and impositions of exchange controls. During the 1980's, the limited availability of foreign exchange required the Argentine Government and all Argentine public sector entities to restructure portions of their foreign currency-denominated indebtedness to commercial banks.

In March 1991, after the implementation of various plans designed to reduce inflationary pressures which were only partially or temporarily successful, the Argentine government introduced a tax reform and expenditure reduction program aimed at reducing inflation and restructuring the economy (the "Convertibility Plan"), and adopted the Convertibility Law which became effective April 1, 1991. See Item 8, "Selected Financial and Operating Data—Exchange Rates." Since the adoption of the Convertibility Plan, the annual rate of inflation measured by the ACPI has declined from 84.0% in 1991 to a deflation rate of 1. 5% in 1999. In addition, after declining or remaining stagnant through most of the 1980s, real GDP in Argentina rose by 10.3%, 6.3% and 8.5%, and industrial production grew by 7.5%, 4.2% and 5.2% in 1992, 1993 and 1994, respectively.

The Argentine economy experienced a banking and credit crisis in 1995, but recovered in 1996 with industrial production and real GDP growing 4.3% and 4.8%, respectively. During 1997 and 1998, GDP rose an estimated 8.4%, 4.2%, and then decreased an estimated 3.4% in 1999, due, in part, to an economic crisis in Brazil. See "--Developments in Other Emerging Market Countries," below. As of March 31, 2000, the ACPI decreased by 1.05% from the level recorded on March 31, 1999. The national unemployment level stood at 14.5% in May 1999 and fell to 13.8% as of October 1999.

Although the Convertibility Plan has reduced the level of inflation for an extended period of time, no assurance can be given that such policies will actually be maintained, or that the stability achieved in recent years will continue. There can be no assurance that future economic developments in Argentina, over which the Company has no control, will not impair the Company's business, financial condition, or results of operations, and adversely affect the value of the Company's securities.

Developments in Other Emerging Market Countries. The Mexican and Argentine financial and securities markets are, to varying degrees, influenced by economic and market conditions in other emerging market countries. Although economic conditions differ in each country, investor reactions to developments in one country have had in the past, and can have in the future, significant effects on the securities of issuers in other countries, including Mexico and Argentina. There can be no assurance that the Mexican and Argentine financial and securities markets will not continue to be adversely affected by events elsewhere, especially in other emerging markets. Mexico and Argentina

could be adversely affected by decreases in investor confidence, as well as by a downturn in any of the economies of the principal countries in the Latin American region.

For example, on January 13, 1999, the Brazilian government announced a widening of the Brazilian real trading band, effecting a de facto 9.0% devaluation of its currency. This devaluation was followed by increased volatility in stock market prices in the Buenos Aires Stock Exchange and in the spread over U.S. Treasuries at which Argentine Government securities trade in the secondary market as investors feared that such a devaluation may have a material adverse impact on Argentina's trade balance, economy and commitment to the Convertibility Plan. On January 15, 1999, Brazil effectively devalued the real by allowing it to float freely on the exchange markets. The real quickly began losing value, and as of March 17, 1999, it had lost 35% of its pre-devaluation value. There can be no assurance that such events and their near and long-term consequences will not adversely affect the business of the Company in Argentina and the value of its securities.

Effect of Mexican and Argentine Macroeconomic Factors on the Company. In the past, the economic situation in both Mexico and Argentina affected consumption of soft drinks in those markets particularly during the period between 1994 and 1996. As a result, despite growing populations in the Company's territories and the Company's efforts to increase per capita consumption of soft drinks, sales volume remained relatively flat (excluding the effects of territorial expansion) during this period. In 1997, Mexican gross national product ("GDP") growth of 6.8% helped to begin an economic recovery in both regions. Although volumes remained flat in the Buenos Aires Territory, volumes in the Mexican Territories began to grow swiftly. The growth was achieved through the improved economic circumstances in Mexico and through greater market share garnered in the Mexican soft drink markets.

In 1999, the Mexican economy grew 3.7% as measured by GDP while the Argentine economy slipped into a 3.4% recession. The Company believes that the growing Mexican economy positively affected its sales volumes and supported the real average price increase experienced in the Mexican markets. In Argentina, as a result of the weak economy, the Company's sales volume in that market and pricing flexibility were negatively affected. Coca-Cola FEMSA believes that improving economic conditions in Mexico and Argentina should lead to increased per capita consumption of soft drinks, while allowing the Company to increase prices to keep pace with costs, thereby leading to greater sales volume, net revenue and profit margins. However, the Company can give no assurances that such results can be obtained or that economic conditions in Mexico or Argentina will improve.

Acquisition of Coca-Cola FEMSA Buenos Aires

As part of its strategy to expand its operations into additional territories, on September 1, 1994, the Company acquired 51.0% of Coca-Cola FEMSA Buenos Aires from The Coca-Cola Export Corporation, a subsidiary of The Coca-Cola Company, for a purchase price of A$94.7 million (in nominal 1994 Argentine pesos) (adjusted pursuant to the terms of the acquisition). Also at that time, the Company was granted the Option to purchase the remaining 49% of Coca-Cola FEMSA Buenos Aires from The Coca-Cola Export Corporation at a purchase price of A$91.0 million nominal 1994 Argentine pesos plus an annual cost of 12%. In February 1996, the Company increased its interest in Coca-Cola FEMSA Buenos Aires to 75% by means of a capital increase of Coca-Cola FEMSA Buenos Aires subscribed to by the Company and through a partial exercise of the Option. At the same time, The Coca-Cola Company granted a new option for two years to acquire the remaining 25% of Coca-Cola FEMSA Buenos Aires with similar terms and conditions as those of the Option. In September 1997, the Company acquired the remaining 25% of Coca-Cola FEMSA Buenos Aires. The price of this transaction was A$97.1 million (in nominal 1997 Argentine pesos).

SIRSA Transaction. On November 27, 1995, the Company entered into an agreement to purchase certain corporate assets of SIRSA, including certain inventory and the assignment of certain business contracts and the land and building of the RDN bottling plant (but not the bottling equipment). On December 1, 1995, the Company amended its bottler agreement with The Coca-Cola Company to include the right to produce, market and distribute Coca-Cola Trademark Beverages to certain accounts located in the territory served at that time by SIRSA. On February 1, 1996, the transfer of certain corporate assets of SIRSA was completed and the bottler agreement with the Coca-Cola Company was amended to include the remaining accounts located within the San Isidro area, which were previously served by SIRSA.

In 1996, Coca-Cola FEMSA Buenos Aires, assumed control of the land and building, as well as the site of RDN's plant, and leased them to RDN. In May 1998, these assets were sold by the Company to RDN. See "—Liquidity and Capital Resources" and Item 1, "Description of Business—Corporate Background." On June 2, 1998, the Company's Argentine bottling agreement was amended to include the right of Coca-Cola FEMSA Buenos Aires to produce, market and distribute Coca-Cola Trademark Beverages in the Pilar area of Buenos Aires, previously served by RDN. The Company made an investment of A$6.6 million at that time which included the lease and modification costs of a large distribution center in the Pilar area, the purchase of 46 trucks, investments in bottles, cases, promotional material (including coolers) and information systems.

The investment in Coca-Cola FEMSA Buenos Aires is considered, for accounting purposes, to be an economic hedge against the currency risk associated with the holding of the U.S. dollar-denominated debt incurred to finance the acquisition. As a result, the foreign exchange loss or gain on the U.S. dollar debt incurred to finance the acquisition of Coca-Cola FEMSA Buenos Aires has been and will be recorded as part of the cumulative result of holding non-monetary assets and is offset by the corresponding exchange gain or loss on such investment. See Note 4 to the Consolidated Financial Statements.

Operating Conditions Specific to Buenos Aires Territory

The Company believes that certain aspects of the carbonated soft drink industry in Buenos Aires are significantly different from those of the Mexican Territories. Most importantly, the Buenos Aires Territory is characterized by prevalent price discounting and higher labor and distribution costs. These characteristics negatively impact the Company's margins.

Price Discounting. Primarily due to competitive pricing pressures during the past several years, soft drink prices in the Buenos Aires Territory decreased significantly. However, there was no significant corresponding increase in comparable sales volume to offset fully the resulting decline in unit case revenue. The Company, whenever feasible, has responded to competitive pressure through tailored marketing efforts and other non-price competition activities. Nevertheless, the Company has decided to engage in discounting activity whenever it deems necessary to maintain competitiveness. The Company believes that the competitive pricing pressures are beginning to lessen, but it can give no assurance that renewed discounting activity will not take place in the future. See Item 1, "Description of Business—Marketing."

Labor Costs. Labor costs in the Buenos Aires Territory are higher than in the Mexican Territories, both on an absolute and a relative basis, which reflect the higher cost of living index of Argentina as compared to Mexico.

Distribution System. In the Mexican Territories, distribution of finished products from the production facilities to the distribution center is subcontracted out to FEMSA Logística, whereas the Company distributes its products from its distribution centers to retailers exclusively through a fleet of trucks owned by the Company, except in the case of certain rural areas in the Southeast Territory. By contrast, in the Buenos Aires Territory, distribution is largely carried out by non-affiliate subcontractors, and part of the distribution is carried out by wholesalers. See Item 1, "Description of Business—Product Distribution." During 1998, the Company integrated a greater part of the distribution system in the Buenos Aires Territory into its operations, thereby avoiding the need to share profit margins with independent operators and bringing the distribution process more firmly under the Company's control. In June 1998, the Company began servicing the Pilar area, where the Company distributes its products through a fleet of trucks owned by the Company.

Acquisition of Tapachula Franchise

On November 19, 1997, Coca-Cola FEMSA acquired the Tapachula Franchise through its acquisition of 100% of the capital stock of Embotelladora de Soconusco, S.A. de C.V., a bottler in the Tapachula area of the state of Chiapas in Mexico. The purchase price of this transaction was Ps. 103.1 million (in nominal 1997 pesos, approximately $12.5 million), which was financed with internal cash resources. Following this acquisition, Coca-Cola FEMSA began serving the entire state of Chiapas.

Results of Operations

The following table sets forth the consolidated income statement of Coca-Cola FEMSA for the years ended December 31, 1999, 1998 and 1997:

	Year ended December 31,			
	1999	1999	1998[1]	1997[2]
	(millions of U.S. dollars or constant Mexican pesos at December 31, 1999)			
Revenues				
Net sales	$ 1,490.8	Ps. 14,155.0	Ps. 13,481.2	Ps. 11,789.7
Other operating revenues	5.5	52.4	108.8	104.3
Total revenues	1,496.3	14,207.4	13,590.0	11,894.0
Cost of sales	790.2	7,503.3	7,520.0	6,486.4
Gross profit	706.1	6,704.1	6,070.0	5,407.6
Operating expenses:				
Administrative	107.9	1,024.2	879.4	808.6
Selling	369.3	3,506.4	3,273.1	2,921.0
Total operating expenses	477.2	4,530.6	4,152.5	3,729.6
Goodwill amortization	12.4	117.7	125.3	101.0
Fixed asset adjustment	-	-	51.1	-
Income from operations	216.5	2,055.8	1,741.1	1,577.0
Integral result of financing[3]				
Interest expense	43.4	411.9	500.5	383.8
Interest income[4]	(7.9)	(75.1)	(21.2)	(84.0)
Foreign exchange loss (gain)	3.5	33.3	110.3	10.2
Gain from monetary position	(9.7)	(91.5)	(204.7)	(101.9)
Total integral result of financing	29.3	278.6	384.9	208.1
Other income (expense), net	7.1	67.0	234.6	156.7
Income before income tax, tax on assets and employee profit sharing	180.2	1,710.2	1,121.6	1,212.2
Income tax, tax on assets and employee profit sharing	77.2	733.5	428.4	298.2
Net income	$ 102.9	Ps. 976.7	Ps. 693.2	Ps. 914.0
Majority income	$ 102.9	Ps. 976.7	Ps. 693.2	Ps. 883.6

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(1) Sales in 1998 include sales in the Pilar area of the Buenos Aires Territory, which the Company began servicing in June 1998.
(2) Sales in 1997 include sales in the Tapachula area of the Southeast Territory, which the Company acquired in November 1997.
(3) The gain on monetary position resulting from the liabilities incurred in connection with the Company's purchase of shares of Coca-Cola FEMSA Buenos Aires was computed using the inflation rate of Argentina, as the liability was considered to be an integral part of the investment in the foreign subsidiary. In addition, the foreign exchange loss generated by the liability was recorded directly in stockholders' equity. See Note 4 to the Consolidated Financial Statements.
(4) Interest income is subtracted from other integral costs of financing and therefore is expressed as a negative quantity.

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

	Year ended December 31,							
	1999		1998[1]		1999		1998[1]	
	Mexican Territories				Buenos Aires Territory			
	(millions of constant Mexican pesos at December 31, 1999)							
Revenues								
Net sales	Ps.	10,443.2	Ps.	9,765.7	Ps.	3,711.8	Ps.	3,715.5
Other operating revenues		26.3		22.6		26.1		86.2
Total revenues		10,469.5		9,788.3		3,737.9		3,801.7
Cost of sales		5,360.2		5,218.6		2,143.1		2,301.4
Gross profit		5,109.3		4,569.7		1,594.8		1,500.3
Operating expenses:								
Administrative		822.5		695.6		201.7		183.8
Selling		2,450.0		2,261.8		1,056.4		1,011.3
Total operating expenses		3,272.5		2,957.4		1,258.1		1,195.1
Goodwill amortization		6.5		6.5		111.2		118.8
Fixed asset adjustment		-		51.1		-		-
Income from operations	Ps.	1,830.3	Ps.	1,554.7	Ps.	225.5	Ps.	186.4

[1] Sales in 1998 include sales in the Pilar area of the Buenos Aires Territory, which the Company began servicing in June 1998.

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

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

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

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

Net Sales. Net sales revenue growth exceeded volume growth in the Mexican Territories primarily due to the Company's efforts to reach an improved price/volume ratio. The 2.6% real price increase in the twelve months ended December 31, 1999 more than offset the negative effect on average pricing of the increasing importance of multi-

serving presentations, which are products sold by the Company in packaging sizes greater than 1 liter and which are sold for a lower price per ounce of liquid than smaller, personal-size presentations. In 1999, approximately 54.1% of Coca-Cola FEMSA's sales volume was sold in presentations greater than one liter, compared to 55.6% in 1998. Despite this slight decrease in 1999, management expects the trend toward multi-serving presentations to continue.

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

Other Operating Revenues. Other operating revenues decreased from Ps. 109 million in 1998 to Ps. 52 million in 1999. The 16.4% increase in other operating revenues within the Mexican Territories, which primarily consists of the sale of certain raw materials to other bottlers, only partially off-set the 69.2% decrease in other operating revenues in the Buenos Aires Territory. The sharp decline in Buenos Aires was due to significantly lower sales of final product to other bottlers in Argentina.

Cost of Sales. The components of cost of sales include raw materials (principally sweeteners, soft drink concentrate, packaging materials and water), depreciation expenses attributable to the Company's production facilities, wages and other employment expenses associated with the production labor force and certain overhead expenses. Concentrate prices for the Coca-Cola Trademark Beverages, which are payable in local currency, are determined as a percentage of the wholesale price net of any value-added or similar taxes payable by Coca-Cola FEMSA. See Item 1, "Description of Business—Raw Materials."

As a percentage of net sales, cost of sales decreased 2.8 percentage points over 1998. In both Mexico and Buenos Aires, the Company benefited from improved volumes leading to greater fixed-cost adjustments, and lower price of dollar-denominated raw materials, including HFCS, aluminum cans, and PET bottles. In addition, a 3.9% appreciation of the peso worked to improve the Company's cost structure in that country. In Buenos Aires, where the Company purchases finished product of its can presentations, a price reduction of product purchased from CICAN was a material factor in lowering cost of sales.

CICAN is a joint venture between participating Coca-Cola bottlers in Argentina, Uruguay, and Paraguay. The Company owns approximately 48.1% equity interest in CICAN. As a result of the price reduction, the Company's cost of sales was reduced while the profits distributed in the form of dividends to the Company as a CICAN shareholder decreased.

Operating Expenses. Consolidated operating expenses increased by 7.8% to Ps. 4.530 billion in 1999 from Ps. 4.204 billion in 1998. In 1999, consolidated selling expenses increased by 6.1% to Ps. 3.506 billion from Ps. 3.306 billion in 1998. Consolidated administrative expenses increased by 14.1% to Ps. 1.024 billion in 1999 from Ps. 898 million in 1998. 1998 figures include the Ps. 51.1million fixed asset adjustment recorded during that year.

As a percentage of sales, selling and administrative expenses increased by 0.71 percentage points. Selling expenses as a percentage of total revenues in the Mexican Territories remained at 23.4%. In Argentina, selling expenses as a percentage of total revenues increased from 26.6% in 1998 to 28.3% in 1999, representing a 1.67% increase. The increases of absolute selling expenses in both the Mexican and Buenos Aires Territories were primarily due to increased variable compensation increases, increased maintenance and increased non-cash expenses related to the Company's accelerated depreciation schedule policy for 1998 going forward. Administrative expenses in the Mexican and Buenos Aires Territories increased 15.2% and 9.3%, respectively, reflecting higher real wages in both operations and corporate areas.

Goodwill. Goodwill amortization for 1999 was Ps. 118 million, compared to Ps. 125 million for 1998, reflecting a 6.1% reduction. The primary reason for the reduction was the 3.9% appreciation of the peso in 1999, which reduced goodwill booked in Argentine pesos.

Operating Income. Consolidated income from operations after amortization of goodwill and including a one-time fixed-asset adjustment of Ps. 51.1 million in 1998 grew by 18.1% to Ps. 2.056 billion for the year ended December 31, 1999. On a comparable basis, excluding the one-time fixed-asset adjustment, consolidated income from operations after goodwill increased 14.7%. With lower cost of sales and a slight increase in operating expenses, the Company saw a 1.66 percentage point improvement in profitability as measured by operating income as a percentage of total sales.

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

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

The integral cost of financing decreased 27.6% from Ps. 385 million in 1998 to Ps. 279 million in 1999. Net interest expense decreased by 29.7% primarily due to: (i) a 3.9% appreciation of the Mexican peso against the U.S. dollar, (ii) the Company's lower debt levels and (iii) the Company's higher cash balance. During 1999, Coca-Cola FEMSA paid down a net US$95.3 million of bank debt.

The gain on monetary position decreased by 55.3% from Ps. 205 million to Ps. 92 million. The change reflected the Company's lower debt position, considerably lower Mexican inflation and deflation recorded in Argentina.

Notwithstanding the 3.9% appreciation of the peso against the U.S. dollar during 1999, the Company reported a foreign exchange loss of Ps. 33 million. The exchange loss was largely due to losses generated by the Company's investment in dollar-forward contracts. Beginning in June 1999, the Company, through the use of these dollar-forward contracts, began hedging its foreign exchange exposure represented primarily by dollar-denominated non-returnable packaging requirements.

Other Expenses. Other expenses are primarily related to the Company's continued efforts to rationalize its operations and a work force reduction both in operations and in the corporate office. Other expenses reached Ps. 67 million in 1999 as compared to Ps. 235 million in 1998. At September 30, 1999, Coca-Cola FEMSA announced a reclassification of expenses associated with the write-off of plant equipment. Prior to September 1999, these write-offs were recorded as other expenses. Retroactive to January 1, 1999, all asset write-offs are recorded as operating expenses.

Income Tax, Tax on Assets and Employee Profit Sharing. Income tax, tax on assets and employee profit sharing increased 71.2 % from Ps. 428 million in 1998 to Ps. 733 million in 1999. The Company's consolidated effective income tax, tax on assets and employee profit sharing rate increased from 38.2% in 1998 to 42.9% in 1999. The increase was attributable to: (i) the absence of the 1998 tax benefit of accelerated depreciation related to the initial investment in the Toluca plant and other fixed assets during that year, (ii) higher non-deductible expenses including the write-off of fixed assets, (iii) the depletion of tax-loss carryforwards in Argentina as of December 1998 and (iv) changes in the Mexican and Argentine tax laws.

Net income. Net income for 1999 increased 40.9% to Ps. 977 million from Ps. 693 million in 1998. The increase was driven by the 18.1% increase in operating income and the 27.6% decrease in integral cost of financing, which were only partially offset by the higher effective rate of taxes on income and assets.

Results of Operations for the Year Ended December 31, 1998 Compared to the Year Ended December 31, 1997

	Year ended December 31,			
	1998[1]	1997[2]	1998[1]	1997[2]
	Mexican Territories		Buenos Aires Territory	
	(millions of constant Mexican pesos at December 31, 1999)			
Revenues				
Net sales	Ps. 9,765.7	Ps. 8,218.1	Ps. 3,715.5	Ps. 3,571.7
Other operating revenues	22.6	14.2	86.2	90.1
Total revenues	9,788.3	8,232.3	3,801.7	3,661.8
Cost of sales	5,218.6	4,312.2	2,301.4	2,174.3
Gross profit	4,569.7	3,920.1	1,500.3	1,487.5
Operating expenses:				
Administrative	695.6	618.3	183.8	190.3
Selling	2,261.8	1,924.5	1,011.3	996.4
Total operating expenses	2,957.4	2,542.8	1,195.1	1,186.7
Goodwill amortization	6.5	1.1	118.8	100.0
Fixed asset adjustment	51.1			
Income from operations	Ps. 1,554.7	Ps. 1,376.2	Ps. 186.4	Ps. 200.8

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(1) Sales in 1998 include sales in the Pilar area of the Buenos Aires Territory, which the Company began servicing in June 1998.
(2) Sales in 1997 include sales in the Tapachula area of the Southeast Territory, which the Company acquired in November 1997.

Sales Volume. Sales volume in the Mexican Territories grew by 19.7% to 401.2 million unit cases during 1998 and represented 77.2% of Coca-Cola FEMSA's total sales volume. Sales volume in colas increased 16.3% in 1998 and flavored soft drinks increased 18.7%, in each case compared to 1997. Sales volume of *Ciel* water increased from 3.2 million unit cases in 1997 to 11.0 million unit cases in 1998.

In Argentina, including the additional volumes from the Pilar area under the Company's control from June 2, 1998, sales volume increased by 14.8% to 118.4 million unit cases in 1998; comparable sales volume in the Buenos Aires Territory increased 10.5% during the year. Including volume from the Pilar area, sales volume during 1998 in the Buenos Aires Territory in colas increased 15.1% and flavored soft drinks increased 17.5%, in each case compared to 1997. Sales volume of *Kin* water, a Coca-Cola Company trademark beverage sold by Coca-Cola FEMSA in Buenos Aires, declined by 31.8% during 1998.

In Mexico, the Company's non-returnable presentations (including post-mix) represented a significantly higher percentage of the Company's sales volume in 1998, compared to 1997, increasing from 41.0% of total volume to 49.0%. In Argentina, non-returnable presentations represented 89.2% of sales volume in 1998, compared to 69.7% in 1997.

Volume growth in the Mexican Territories reflects Coca-Cola FEMSA's continued focus on (i) the use of hand-held computers by the Coca-Cola FEMSA sales personnel, (ii) the Company's presale distribution system, (iii) increased availability of cold soft drink products as a result of investments in cold drink equipment and (iv) continued marketing efforts.

Net Sales. Coca-Cola FEMSA recorded consolidated net sales of Ps. 13.481 billion in 1998, a 14.3% increase relative to Ps. 11.790 billion of consolidated net sales recorded in 1997. Net sales growth was driven by volume growth in both the Mexican and Buenos Aires Territories. Sales revenue growth slightly lagged behind volume growth in the

Mexican Territories primarily due to the higher rate of growth of larger presentations, which are sold for a lower price per ounce of beverage than smaller presentations. Management expects the trend towards larger presentations to continue. In 1998, approximately 55.6% of Coca-Cola FEMSA's sales volume was in presentations of one liter or larger, compared to 54.8% in 1997. In addition, average unit price in real terms for Coca-Cola FEMSA's products declined by 0.7% in the Mexican Territories in 1998. In the Buenos Aires Territory, despite an average unit price decline of 9.5%, net sales increased by 4.0% in 1998, reflecting the strong volume growth of 14.8% during 1998.

Other Operating Revenues. Other operating revenues increased to Ps. 109 million in 1998 from Ps. 104 in 1997, primarily as the result of increased recurring revenues such as sales of raw materials in the Southeast Territory and sales of final product to other bottlers in the Buenos Aires Territory during 1998.

Cost of Sales. Consolidated cost of goods sold increased by 15.9% to Ps. 7.520 billion in 1998 from Ps. 6.486 billion in 1997. The 21.0% increase in Mexico and 5.9% increase in Argentina is primarily attributable to (i) higher volumes; (ii) higher raw material costs associated with the increase in the mix of one-way presentations; and (iii) the effect in Mexico of the depreciation of the peso against the dollar on packaging costs. Coca-Cola FEMSA recorded gross profit of Ps. 6.070 billion in 1998, a 12.3% increase over gross profit of Ps. 5.408 billion recorded in 1997.

With respect to the Company's Mexican operations, gross profit represented 46.8 % of net sales, while gross profit for Argentine operations represented 40.4 % of net sales. This represented decreases of 0.9 and 1.2 percentage points, respectively, as compared to 1997, which were essentially attributable to the same factors that affected the cost of goods sold.

Operating Expenses. Consolidated operating expenses increased by 12.7% to Ps. 4.153 billion in 1998 from Ps. 3.730 billion in 1997. Consolidated operating expenses for 1998 include a non-recurring operating expense of Ps. 51.1 million as a consequence of the Company's adoption of a more conservative valuation for its information systems. In 1998, consolidated selling expenses increased by 13.2% to Ps. 3.306 billion from Ps. 2.921 billion in 1997. Consolidated administrative expenses increased by 11.0% to Ps. 898 million from Ps. 809 million in 1997.

As a percentage of total revenues, selling and administrative expenses decreased 0.42%. Selling expenses as a percentage of total revenues in the Mexican Territories remained at 23.4%. Administrative expenses in the Mexican Territories increased 15.4%, reflecting higher real wages in both operations and corporate areas. In Argentina, selling expenses as a percentage of total revenue decreased from 27.2% in 1997 to 26.6% in 1998. Administrative expenses in the Buenos Aires Territory were reduced by 3.4% as a result of Coca-Cola FEMSA Buenos Aires' efforts to reduce fixed costs.

Goodwill. Goodwill amortization for 1998 was Ps. 125 million, compared to Ps. 101 million for 1997, reflecting additional goodwill amortization arising from the acquisition of the Tapachula area in Mexico and the Pilar area in Argentina.

Operating Income. Consolidated income from operations after amortization of goodwill and including the one-time fixed-asset adjustment of Ps. 51.1 million in 1998 grew by 10.4% to Ps. 1.741 billion for the year ended December 31, 1998. On a comparable basis, excluding the one-time charge, consolidated income from operations after goodwill increased 13.6%. The increase in income from operations was attributable to the many efforts made by Coca-Cola FEMSA to improve productivity and contain operating expenses. Coca-Cola FEMSA's operating margin decreased by 0.5 percentage points to 12.8% in 1998 from 13.3% recorded in 1997, largely as a consequence of the decline in the gross margin in 1998 and the non-recurring operating expense mentioned above.

Integral Cost of Financing. The integral cost of financing increased 84.9% from Ps. 208 million in 1997 to Ps. 385 million in 1998. Net interest expense increased from Ps. 300 million in 1997 to Ps. 479 million in 1998, an increase of 59.9%. Higher net interest expense during 1998 was driven by: (i) the depreciation of the peso, (ii) a lower cash balance as a result of an increase in capital expenditures and (iii) an increase in the Company's short-term debt positions. The gain on monetary position increased 100.9% from Ps. 102 million during 1997 to Ps. 205 million during 1998. The primary reason for the increase was higher inflation rates in 1998, as well as the increase in the levels of the

average debt during 1998. The foreign exchange loss increased from Ps. 10 million in 1997 to Ps. 110 million in 1998, mainly due to the 22.7% depreciation of the peso during 1998.

Other Expenses. Other expenses increased from Ps. 157 million in 1997 to Ps. 235 million in 1998. The majority of these expenses were related to asset write-offs and severance payments as a result of the closing of the La Viga and Churubusco production facilities in the Valley of Mexico and further rationalization of capacity within other facilities within the Company's operations in Mexico and Argentina. These expenses are attributable to Coca-Cola FEMSA's efforts to improve operational efficiencies during 1998.

Income Tax, Tax on Assets and Employee Profit Sharing. Income tax, tax on assets, and employee profit sharing increased 43.7% from Ps. 298 million in 1997 to Ps. 428 million in 1998. The Company's consolidated effective income tax, tax on assets, and employee profit sharing rate increased from 24.6% in 1997 to 38.2% in 1998. This increase is attributable to: (i) a lower utilization of tax-loss carryforwards, (ii) higher non-deductible other expenses, (iii) the initiation of tax payments in Argentina in December 1998 and (iv) the absence of the tax benefit from accelerated deprecation of the initial investment of the Toluca plant during 1997.

Net Income. Net income for 1998 decreased by 24.2% to Ps. 693 million from Ps. 914 million in 1997. The decrease was primarily driven by higher integral cost of financing and higher taxes on income and assets. Majority net income decreased 21.5% to Ps. 693 million during 1998. Majority net income is calculated by subtracting the net income related to the previous ownership interest of The Coca-Cola Export Corporation in Coca-Cola FEMSA Buenos Aires from consolidated net income. Coca-Cola FEMSA purchased such remaining ownership interest on September 19, 1997, and therefore, there is no minority interest after that date.

Capital Expenditures

	Year ended December 31,			
	1999	1998	1997	1996
	(Millions of constant Mexican pesos at December 31, 1999)			
Mexican Territories				
Plants and distribution	Ps. 446.9	Ps. 1,007.8	Ps. 712.1	Ps. 831.3
Bottles	168.5	101.2	199.7	255.5
Deferred charges and other investments	142.7	247.5	35.2	215.1
Total	Ps. 758.0	Ps. 1,356.5	Ps. 947.0	Ps. 1,301.9
Buenos Aires Territory				
Plants and distribution	Ps. 74.6	Ps. 81.8	Ps. 405.3	Ps. 150.4
Bottles	20.0	31.6	65.9	80.6
Deferred charges and other investments	22.5	100.5	25.8	29.6
Total	Ps. 117.1	Ps. 213.9	Ps. 497.0	Ps. 260.6
Total Coca-Cola FEMSA	Ps. 875.2	Ps. 1,570.4	Ps. 1,444.0	Ps. 1,562.5

As in the past, Coca-Cola FEMSA's capital expenditures are focused on increasing operating efficiencies, expanding the efficiency of its distribution infrastructure, improving administrative systems and increasing sales volume. Through these measures Coca-Cola FEMSA expects to improve profit margins and improve the overall profitability of the Company.

The Company's business plan for 2000 calls for investments totaling approximately Ps. 833 million (including investments in bottles and cases and deferred charges) and include:

- Expansion of bottling and plastic bottle blowing capacity within existing production facilities;
- Improvement of warehousing in both production facilities and distribution centers;
- Replacement of older distribution vehicles and expansion of the distribution fleet;

- Market investments (such as the placement of refrigeration equipment, vending machines and post mix dispenser equipment in the market);
- Replacement and upgrading of manufacturing equipment in the Company's production facilities;
- Investments in information systems; and
- Corporate headquarters relocation costs.

Management believes that internally generated funds and borrowing from third-party sources, if needed, will be sufficient to meet its capital expenditure and working capital requirements for the year 2000. However, the Company may seek debt or equity financing from the international capital markets in connection with any possible acquisition by the Company of Coca-Cola bottler operations. The Company's capital expenditure plan for 2000 is subject to change based on market and other conditions and the Company's results of operations and financial resources.

Historically, the Coca-Cola Company has contributed to the Company's capital expenditure program. These contributions are utilized by the Company in its marketing programs and other volume driving initiatives that promote volume growth of Coca-Cola Trademark Beverages. Such payments may result in a reduction in the Company's selling expenditures. Contributions by The Coca-Cola Company are made on a discretionary basis. Although management believes that The Coca-Cola Company will make additional contributions in the future to assist the Company with its capital expenditure program, no assurances can be given that any such contributions will be made or of their magnitude.

Liquidity and Capital Resources

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

In February 1996, the Company obtained a $165 million loan through a U.S. dollar-denominated borrowing under a credit facility arranged by J.P. Morgan Securities Inc. (the "Syndicated Loan"), of which approximately $47.5 million was used to repay short-term indebtedness, some of which was incurred to finance the Company's increase in the equity of Coca-Cola FEMSA Buenos Aires, and the balance of which was used to finance directly the increase in the Company's interest in Coca-Cola FEMSA Buenos Aires from 51.0% to 75.0%. The resources obtained by Coca-Cola FEMSA Buenos Aires in connection with the capital increase were used through February 1996 to complete the SIRSA Transactions for a purchase price of $56.5 million, to acquire from RDN for $3.5 million the building that houses RDN's bottling plant (but not the equipment contained therein) and surrounding land, and to repay $61.0 million in short-term debt. As a result of these transactions, consolidated indebtedness increased by $79 million.

On November 1, 1996, the Company issued the Notes in an aggregate principal amount of $200 million. The Company used the proceeds from the Notes to repay all of its outstanding indebtedness under the Syndicated Loan. The Notes bear interest at a fixed annual rate of 8.95% and are repayable in a single installment on November 1, 2006.

On September 19, 1997 the Company acquired the remaining 25% of Coca-Cola FEMSA Buenos Aires. The price of this transaction was $98.5 million and was financed partly through the issuance of three short-term notes of $25 million each, and the remainder with internal resources.

On August 27, 1998, the Company issued a short-term note of $25 million to partially finance the building of the Toluca plant. See Item 1, "Description of Business—Business Strategy." In December 1998, the Company repaid $10 million in short-term debt and refinanced the balance of its short-term obligations by issuing three short-term notes of $25 million in principal amount each and one short-term note of $15 million in principal amount.

During 1999, the Company repaid $96 million outstanding in debt, including three short-term notes, each with a principal amount of $25 million, and one short-term note with a $15 million principal amount.

The Company generated net resources from operations of Ps. 2.696 billion in 1999 and Ps. 1.492 billion in 1998. Uses of funds included aggregate investments (including deferred charges) of Ps.3.889 billion. At December 31, 1999 and 1998, the consolidated cash and cash equivalents position of the Company was Ps. 551.4 million and Ps. 187.0 million, respectively.

The Company's primary source of liquidity is expected to continue to be internally generated funds, supplemented by borrowing facilities with third-parties. At December 31, 1999, the Company had unused lines of credit of Ps. 2,343 million, approximately 87% of which were in U.S. dollars. Management believes that internal resources and the Company's access to credit facilities will be adequate to meet currently expected working capital needs and to finance a significant portion of future capital expenditures. At December 31, 1999 and at June 1, 2000, the Company had no short-term debt.

Capital Resources. Coca-Cola FEMSA operates in a capital-intensive industry requiring significant investments in revenue-producing assets and updating of the physical plant and manufacturing technology of its various product lines. The Company intends to fund its capital expenditure program with cash on hand, consolidated cash flow from operations and facilities, and third-party providers of funds.

During 1999, capital expenditures by Coca-Cola FEMSA in Mexico and Argentina totaled approximately $92 million and were primarily related to: (i) "carry over" expenditures from 1999 relating to investments made in production and distribution facilities, (ii) the expansion of distribution warehouses and the purchase of distribution equipment in both Mexico and Buenos Aires, (iii) investments in cold drink equipment and (iv) investments in management information systems and other computer equipment related improvements. See "—Capital Expenditures."

The Coca-Cola Company has made contributions in connection with the Company's capital expenditure program in addition to participating in its cold drink equipment placement program. For the years ended December 31, 1999 and 1998, the payments made by The Coca-Cola Company amounted to $31 thousand and $1.7 million, respectively. Contributions by The Coca-Cola Company are made on a discretionary basis.

U.S. GAAP Reconciliation

The principal differences between Mexican GAAP and U.S. GAAP that affect the Company's net majority (loss) income and majority stockholders' equity relate to the accounting of:

- Deferred income taxes;
- Deferred employee profit sharing;
- Capitalization of interest expense;
- Impairment of long-lived assets; and
- Labor liabilities and their effect on monetary gains.

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

Net majority income as reconciled to U.S. GAAP was lower than net majority income as reported under Mexican GAAP by Ps. 52.3 million in 1999, Ps. 177.6 million in 1998 and Ps. 53.9 million in 1997. Set forth below is a summary of the significant components of the reconciliation to U.S. GAAP. See Notes 21 and 22 to the Consolidated Financial Statements.

Total revenues under Mexican GAAP and U.S. GAAP were identical because revenue recognition policies under both accounting principles are the same except for prior years information which, according to U.S. GAAP, must be restated using the inflation rate of Mexico. See Note 21a to the Consolidated Financial Statements.

Additionally, under Mexican GAAP, the Company recognized the expense of launching new presentations over a period of twelve months to reflect the period over which the benefits of the introductions were expected to be recognized, whereas under U.S. GAAP, the costs deferred in 1999, 1998 and 1997 have been expensed, resulting in an increase in operating expenses and a reduction in operating income in those years. In 1999, the Company spent approximately Ps. 17.3 million in connection with the introduction of new presentations, the total of which was included in selling expenses in 1999. The amounts spent in connection with the introduction of new presentations were Ps. 38.5 million in 1998 (including Ps. 33.3 million in selling expenses) and Ps. 27.4 million in 1997 (including Ps. 22.3 in selling expenses).

In 1999, operating income under U.S. GAAP versus operating income under Mexican GAAP decreased by Ps.118.4 million, as compared to a Ps. 52.4 million decrease in 1998, as a result of the recognition of expenses related to the launching of new products and the provision for Mexican employee profit sharing.

Under U.S. GAAP, the Company had approximate net majority income of Ps. 924.5 thousand in 1999 and Ps. 515.6 thousand in 1998. Shareholders equity, under the same accounting practices, was Ps. 11.4 million and Ps.12.1 million in 1998.

Future Impact of Recently Issued Accounting Standards

Certain Mexican and U.S. accounting standards have recently been issued that will become effective in the future, causing certain effects on the financial position and results of operations of the Company, as described below:

In March 1999, the International Accounting Standards Committee issued IAS No. 39, "Financial Instruments: Recognition and Measurement," which will become an integral part of Mexican GAAP beginning in 2001. IAS No. 39 requires an enterprise to recognize all of its contractual rights or obligations under derivatives in its balance sheet as assets or liabilities and measure those instruments at a fair value. Changes in the fair value of a derivative will be included either in the income statement or in the comprehensive income, depending on the nature of the instrument. IAS No. 39 is generally consistent with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," issued in June 1998 and which also go into effect in 2001 under U.S. GAAP. The Company presently has contracted certain financial instrument and determines their fair value as described in Note 16 to the Consolidated Financial Statements. The impact of the applications of IAS No. 39 on the Consolidated Financial Statements of the Company will depend on the economic and market conditions, as well as the type and amount of financial instruments that the Company has contracted at the date of issuance of the financial statements. If the Company had applied the guidelines of IAS No. 39 beginning in 1999, its impact would not have been significant.

Effective January 1, 2000, Bulletin D-4, "Accounting for Income Taxes, Tax on Assets and Employee Profit Sharing," requires the recognition of the deferred effects of those items. This new accounting principle will have a significant one-time effect on the Company's financial position, increasing deferred liabilities and decreasing stockholders' equity. Bulletin D-4 will affect the results of operations going forward similarly to SFAS No. 109 "Accounting for Income Tax" under U.S. GAAP.

Had this principle been applied in 1999, a long-term liability of Ps. 842,424 would have been recorded, retained earnings would have decreased by Ps. 872,124, the provision for income and employee profit sharing would have increased by a total of Ps. 70,627, and an additional gain of monetary position of Ps. 106,323 would have been recorded.

ITEM 9A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Interest Rate Risk

Interest rate risk exists principally with respect to the Company's indebtedness that bears interest at floating rates. At December 31, 1999, the Company had outstanding indebtedness of Ps. 2.909, of which approximately 98.5% bore interest at fixed interest rates and approximately 1.5% bore interest at variable interest rates. The interest rate on the Company's variable rate debt is determined by reference to Libor. Libor increases would, consequently, increase the Company's interest payments.

The table below provides information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, presenting principal payments and related weighted average interest rates by expected maturity dates. Weighted average variable rates are based on the Libor curve on December 31, 1999, plus spread contracted by the company. The instruments' actual payments are denominated in U.S. dollars, which are presented in pesos, the Company's reporting currency, in the table below, utilizing the December 31, 1999 exchange rate of 9.495 pesos per dollar.

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

A hypothetical, instantaneous and unfavorable change of 100 basis points in the average interest rate applicable to floating-rate liabilities held at December 31, 1999 would increase the Company's interest expense in 1999 by approximately Ps. 0.4 million, or 0.2 %, over a 12-month period, assuming no additional debt is incurred during such period.

Principal by Year of Maturity
At December 31, 1999
Thousand of U.S. dollars

	2000	2001	2002	2003	2004	2005 and thereafter	1999		1998	
							Total	Fair Value	Total	Fair Value
Fixed Rate Debt										
U.S. dollars	1,376	352	-	-	100,000	200,000	301,728	307,086	307,314	308,094
Weighted average rate	7.1%	6.6%	-	-	9.4%	9.0%	9.1%		9.1%	
Variable Rate Debt										
U.S. dollars	2,187	1,184	856	215	215	-	4,656	4,656	93,684	7,534.3
Weighted average rate	7.0%	6.7%	6.8%	6.6%	6.6%	-	6.8%		6.6%	

Exchange Rate Risk. The Company's principal exchange rate risk involves changes in the value of the peso relative to the U.S dollar. In 1999, approximately 73.7% of the Company's consolidated total revenues were denominated in pesos, and 26.3% were denominated in Argentine pesos. The Company estimates that a majority of its consolidated costs and expenses are denominated in pesos. Substantially all of the Company's foreign currency denominated costs and expenses are denominated in U.S. dollars. As of December 31, 1999, all the Company's indebtedness was denominated in U.S. dollars. Decreases in the value of the peso relative to the U.S. dollar will increase the cost in pesos of the Company's foreign currency denominated operating costs and expenses and of the debt service obligations with respect to the Company's foreign currency denominated indebtedness. A depreciation of the peso relative to the U.S. dollar will also result in foreign exchange losses as the peso value of the Company's foreign currency denominated indebtedness is increased.

The Company's exposure to market risk associated with changes in foreign currency exchange rates relates primarily to U.S. dollar-denominated debt obligations as shown in the interest risk table above. The Company occasionally utilizes currency forward contracts to hedge its exposure to the U.S. dollar relative to the peso.

As of December 31, 1998, the Company did not hold any currency forwards. As of December 31, 1999, in order to cover the foreign exchange rate risks between the peso and the U.S. dollar, the Company entered into 21 U.S. dollar-forward agreements, representing a total amount of $192 million dollars, all maturing during 2000. The weighted average forward exchange rate contracted in these agreements was 11.06 pesos per one U.S. dollar. The fair value is estimated based on the quoted market prices of each agreement at December 31, 1999 assuming the same maturity date of the agreements. The weighted average quoted market exchange rate is 10.145 pesos per one U.S. dollar.

Dollar-Forward Exchange Agreements by Year of Maturity
At December 31, 1999
Millions of U.S. dollars

	2000	Fair Value
U.S. dollars	192	(18.5)
Weighted average rate:		
Contracted	11.06	
Quoted market	10.145	

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the peso relative to the U.S. dollar occurring on December 31, 1999, would have resulted in an increase in the Company's consolidated integral result of financing expense of approximately Ps. 6.3 million over a 12-month period, reflecting higher interest expense and foreign exchange loss based on the Company's U.S. dollar denominated indebtedness at December 31, 1999. However, this result does not take into account any gain on monetary position that would be expected to result from an increase in the inflation rate generated by a devaluation of the peso relative to the U.S. dollar, which would reduce the consolidated net integral cost of financing.

Equity Risk. In 1997, certain subsidiaries of the Company commenced an Executive Incentive Program (as defined in Item 11, "Compensation of Directors and Officers."), which is administered by a trust for the benefit of the participating executive officers. In November 1997, the Company hedged its obligations under the Executive Incentive Program by investing in options related to FEMSA BD Units (as defined in Item 11, "Compensation of Directors and Officers.") See Item 11, "Compensation of Directors and Officers."

The fair value of the options is estimated based on quoted market prices to terminate the contracts on December 31, 1999.

	1999		1998	
	2002	Fair Value (Millions of pesos)	2002	Fair Value (Millions of pesos)
Equity Risk:				
Call Options on FEMSA BD Units (long)*				
Contracts (one BD Unit per contract)	595,158	Ps. 11.4	595,158	Ps. 6.3
Strike Price (Dollars per BD Units)	$3.74		$3.74	

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

ITEM 10. DIRECTORS AND OFFICERS OF REGISTRANT

Directors

Management of the business of the Company is vested in the Board of Directors. The Company's by-laws provide that the Board of Directors will consist of at least sixteen directors elected at the annual ordinary shareholders' meeting for renewable terms of one year. The Board of Directors of Coca-Cola FEMSA currently consists of sixteen directors and eleven alternate directors. The directors are elected as follows: eleven directors and six alternate directors are elected by holders of the Series A Shares ("Series A Shareholders") voting as a class; four

directors and up to four alternate directors are elected by holders of the Series D Shares ("Series D Shareholders") voting as a class; and one director and one alternate director are elected by holders of the Series L Shares ("Series L Shareholders") voting as a class. A director may only be elected by a majority of shareholders of the appropriate series, voting as a class, represented at the meeting of shareholders, and not by shareholders of all series present at the annual ordinary shareholders' meeting. Holders of any series of the Company's shares that do not vote in favor of the directors elected by the holders of a majority of shares of such series are entitled, acting separately or in groups of shareholders of any series, to elect one additional director and the corresponding alternate director for each 10% of the outstanding capital stock of the Company held by such dissenting shareholder or group of shareholders. These directors and alternate directors will not be counted as part of the minimum number of directors set forth in the Company's by-laws and will be in addition to those elected by the majority of holders of Series A Shares, Series D Shares and Series L Shares.

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

At December 31, 1999 the members (including alternate directors), secretary and alternate secretary of the Company's Board of Directors were the following:

Name	Position	Year Appointed
Eugenio Garza Lagüera	Chairman of the Board and Series A Director	1993
José Antonio Fernández Carbajal[1]	Vice-Chairman of the Board and Series A Director	1993
Alfonso Garza Garza[2]	Series A Director	1996
Juan Carlos Braniff Hierro[1]	Series A Director	1993
Ricardo Guajardo Touché	Series A Director	1993
Alfredo Martínez Urdal	Series A Director	1993
Federico Reyes García	Series A Director	1993
Gilberto Lozano González	Series A Director	1996
Eduardo Padilla Silva	Series A Director	1997
Daniel Servitjé Montull	Series A Director	1998
Armando Garza Sada	Series A Director	1998
Alfredo Livas Cantú	Series A Alternate Director	1993
Francisco Javier Fernández Carbajal[3]	Series A Alternate Director	1993
Héctor Rangel Domene	Series A Alternate Director	1993
Mariana Garza Gonda de Treviño[4]	Series A Alternate Director	1999
Bárbara Garza Gonda de Braniff[4]	Series A Alternate Director	1999
Guillermo Chávez Eckstein	Series A Alternate Director	1997
Timothy Haas	Series D Director	1995
Charles H. McTier	Series D Director	1999
Weldon H. Johnson	Series D Director	1993
James Chestnut	Series D Director	1994
William Herald	Series D Alternate Director	1997
Ralph H. Cooper	Series D Alternate Director	1994
Douglas N. Daft	Series D Alternate Director	1993
Joseph R. Gladden, Jr.	Series D Alternate Director	1993
Alexis Rovzar de la Torre	Series L Director	1993
Fernando Pardo Ramírez	Series L Alternate Director	1993
Carlos Eduardo Aldrete Ancira	Secretary	1993
Arnulfo E. Treviño Garza	Alternate Secretary	1998

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[(1)] Son-in-law of Eugenio Garza Lagüera.
[(2)] Nephew of Eugenio Garza Lagüera.
[(3)] Brother of José Antonio Fernández Carbajal.
[(4)] Daughter of Eugenio Garza Lagüera.

The Company's by-laws provide that the Board of Directors shall meet at least four times a year. Actions by the Board of Directors must be approved by at least a majority of the directors present and voting, which (except under certain circumstances) must include at least two directors elected by the Series D Shareholders. See "Item 4, Control of Registrant—The Shareholders Agreement."

Examiners

The Company currently has two examiners, one elected by the Series A Shareholders and one by the Series D Shareholders, and two alternate examiners, one elected by the Series A Shareholders and one by the Series D Shareholders. Mexican law requires that the examiners receive monthly reports from the Board of Directors regarding material aspects of the Company's affairs, including the Company's financial condition. The primary role of the examiners is to report to the shareholders at the annual ordinary shareholders' meeting on the accuracy of the financial information presented to such examiners by the Board of Directors. The current examiners and alternate examiners are:

Name	Position	Year Appointed
José Manuel Canal Hernando	Series A Examiner	1993
Fausto Sandoval Amaya	Series D Examiner	1993
Ernesto González Dávila	Series A Alternate Examiner	1993
Humberto Ortíz Gutiérrez	Series D Alternate Examiner	1993

[(1)] Years as examiner or alternate examiner for FEMSA or affiliates of The Coca-Cola Company.

Executive Officers

The following table lists the principal executive officers of the Company, their current position and year of appointment as an executive officer with the Company:

Name	Position	Year Appointed
Carlos Salazar Lomelín [(1)]	Chief Executive Officer	2000
Ernesto Torres Arriaga	Vice President	1995
Héctor Treviño Gutiérrez	Chief Financial and Administrative Officer	1993
Domingo Vaccarezza	Technical Director	1998
John Santa María Otazúa	Chief Operating Officer—Mexico	1995
Rafael Suárez Olaguibel	Chief Operating Officer—Buenos Aires	1997
Ernesto Silva Almaguer	Business Development Director	1997

[(1)] Effective January 1, 2000, Mr. Salazar succeeded Mr. Martínez as Chief Executive Officer.

ITEM 11. COMPENSATION OF DIRECTORS AND OFFICERS

For the year ended December 31, 1999, the aggregate compensation of all executive officers of the Company paid or accrued in that year for services in all capacities was approximately Ps. 69.4 million, of which approximately Ps. 23.0

million was paid in the form of cash bonus awards. The aggregate compensation amount also include bonuses paid by the Company to certain of its executive officers pursuant to the cash-settled option Executive Incentive Program (as defined below) and Stock Incentive Plan (as defined in Item 12, "Options to Purchase Securities from Registrant or Subsidiaries").

From June 1993 to March 1998, the Company paid a gold "centenario" coin (valued at approximately Ps. 3,100 on December 31, 1997), net of taxes, to each director for each meeting of the Board of Directors attended by the director.

Since March 1998, the Company has paid Ps. 20,000 to each director for each meeting attended by such director.

In 1997, the Company commenced an executive incentive program through which a one-time cash-settled option was granted to certain of the Company's executive officers (the "Executive Incentive Program"). Under the terms of the Executive Incentive Program, such executive officers will be entitled on the fifth anniversary of such program to a cash payment of a special bonus based on such officer's salary and the amount of increase in real terms (*i.e.*, excluding the effects of inflation) during the preceding five years in the market value of FEMSA BD Units ("FEMSA BD Units"), each consisting of one FEMSA Series B Share, two FEMSA Series D-B Shares and two FEMSA Series D-L Shares, and shares of Coca-Cola FEMSA, provided that no payments will be made unless the market value of FEMSA BD Units and shares of Coca-Cola FEMSA has doubled in real terms by such fifth anniversary. The Executive Incentive Program was originally based on the market value of Emprex Series B Shares and shares of Coca-Cola FEMSA, but was later adjusted to refer to the market value of FEMSA BD Units and shares of Coca-Cola FEMSA, as described above. The Executive Incentive Program is administered by a trust, for the benefit of the participant executive officers, which has hedged its obligations to such executive officers by investing with Morgan Guaranty Trust Company of New York in cash-settled options relating to FEMSA BD Units. To the extent that the Executive Incentive Program is based on shares of Coca-Cola FEMSA, the trust has not hedged its obligations as of the date hereof.

ITEM 12. OPTIONS TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES

In 1998, the Company commenced a five-year stock incentive plan for the benefit of its executive officers (the "Stock Incentive Plan"). Under the terms of the Stock Incentive Plan, certain executive officers may be selected to receive a special cash bonus (a "Special Bonus") which will be used to obtain a Stock Grant (as defined below) or an Option Right (as defined below), as determined for each individual case. The selection of the executive officers to participate in the Stock Incentive Plan, the type of right which will be obtained with the Special Bonus, and the value of the Special Bonus will be determined jointly by the Chief Executive Officers of FEMSA and the Company, based on each executive officer's level of responsibility and corporate achievements during the prior year.

The Stock Grants and the Option Rights are administered by a trust for the benefit of the selected executive officers (the "Administrative Trust"). Under the terms of the Stock Incentive Plan, each time a Special Bonus is assigned by the Company or any of its subsidiaries to an executive officer, such executive officer shall contribute the bonus to the Administrative Trust in exchange for a Stock Grant (as defined below) or Option Right (as defined below), as determined for each individual case.

A Stock Grant will entitle an executive officer to receive a specified proportion of FEMSA BD Units and shares of Coca-Cola FEMSA which will be acquired by the Administrative Trust in either the New York Stock Exchange or the Mexican Stock Exchange, with the executive officer's deposited Special Bonus (a "Stock Grant"). Under the terms of the Stock Incentive Plan, the ownership of the FEMSA BD Units and the shares of Coca-Cola FEMSA will vest upon the executive officers on the 28th day of February over each of the next five years following the date of assignment of the Stock Grant, at a rate per year equivalent to the number of FEMSA BD Units and shares of Coca-Cola FEMSA that can be acquired with 20% of the total value of each executive officer's Special Bonus.

An Option Right is an option acquired by the Administrative Trust in either the New York Stock Exchange or the Mexican Stock Exchange with an executive officer's deposited Special Bonus, which shall entitle an executive officer

to either: (a) acquire a certain number of FEMSA BD Units and shares of Coca-Cola FEMSA, at the exercise price specified in the option or (b) receive a cash payment equivalent to the amount of increase in the market value of such number of FEMSA BD Units and shares of Coca-Cola FEMSA, as compared to the exercise price specified in the option (an "Option Right"). Under the terms of the Stock Incentive Plan, the Option Rights shall be exercisable on the 28th day of February and the 31st day of August over each of the next five years following the date on which they were granted, at a yearly rate equivalent to up to 20% of the total number of FEMSA BD Units and shares of Coca-Cola FEMSA covered by each Option Right. If an Option Right is not exercised in full during a certain year, any remaining unexercised part shall be exercisable over the next year, at the specified dates. If at the time of expiration of an Option Right there are any remaining FEMSA BD Units and shares of Coca-Cola FEMSA over which no option has been exercised, the remaining part of the option will be automatically exercised as specified in (b) above and a cash payment will be made to the executive officer.

To this date no Option Rights have been granted by either the Company or its subsidiaries pursuant to the Stock Incentive Plan. However, as specified above, if any future Option Rights are to be granted, they will be acquired in the market.

ITEM 13. INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

The Company obtained financial services and engaged in transactions for the purchase of fidelity bonds and insurance coverage from subsidiaries of Grupo Financiero Bancomer, S.A. de C.V., a financial services holding company of which, as of December 31, 1999, Ricardo Guajardo Touché, a Director of Coca-Cola FEMSA, is the chief executive officer and Juan Carlos Braniff Hierro, a Director of Coca-Cola FEMSA, is an executive officer. See Item 1, "Description of Business—Related-Party Transactions."

PART II

ITEM 14. DESCRIPTION OF SECURITIES TO BE REGISTERED

Not applicable.

PART III

ITEM 15. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 16. CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES

Not applicable.

PART IV

ITEM 17. FINANCIAL STATEMENTS

Reference is made to Item 19(a) for a list of all financial statements filed as part of this Form 20-F.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19(a) for a list of all financial statements filed as part of this Form 20-F.

ITEM 19. FINANCIAL STATEMENTS AND EXHIBITS

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

(b) List of Exhibits

Exhibit No.

None

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

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SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June , 2000

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

By: /s/ HÉCTOR TREVIÑO GUTIÉRREZ
Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer