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

FORM 20-F

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

For the fiscal year ended December 31, 2001

Commission file number 1-12260

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

(Exact name of registrant as specified in its charter)

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

United Mexican States
(Jurisdiction of incorporation or organization)

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

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

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

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

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

The number of outstanding shares of each class of capital or common stock as of December 31, 2001 was:

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

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

☒ Yes ☐ No

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

☐ Item 17 ☒ Item 18

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INTRODUCTION

References

Unless the context otherwise requires, the terms "Coca-Cola FEMSA," "our company," "we," "us," and "our" are used in this annual report to refer to Coca-Cola FEMSA, S.A. de C.V. and our subsidiaries on a consolidated basis.

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

U.S. GAAP

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

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

As a result of our territorial acquisitions and the introduction of new products in the past five years, consolidated results of operations for 1997, 1998, 1999, 2000 and 2001 are not directly comparable.

Currency Translation

Coca-Cola FEMSA de Buenos Aires S.A. ("Coca-Cola FEMSA de Buenos Aires"), our wholly owned Argentine subsidiary, maintains its financial records in Argentine pesos, which are translated into Mexican pesos for purposes of consolidation. In order to consolidate financial information for Coca-Cola FEMSA de Buenos Aires with our other financial information for a particular period, under normal economic conditions, we translate such subsidiary's information using the product of the U.S. dollar/Argentine peso exchange rate and the Mexican peso/U.S. dollar exchange rate, in each case as in effect at the end of such period. Prior to 1998, we restated Coca-Cola FEMSA de Buenos Aires' financial information for prior periods by applying the Argentine Wholesale Price Index ("AWPI"). After December 1998, we restated this information for prior periods by applying the Argentine Consumer Price Index ("ACPI") and then translated 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.

Due to the instability of the Argentine economy and the uncertainty with respect to the exchange rate of the Argentine peso at the end of 2001, we recognized a devaluation of the Argentine peso, and the resulting negative impact on our investment in Coca-Cola FEMSA de Buenos Aires, by incorporating the latter's figures into our balance sheet using an exchange rate of A$5.40 per Mexican peso (A$1.70 per U.S. dollar).

We incorporated Coca-Cola FEMSA de Buenos Aires' income statement at the exchange rate of 8.891 Mexican pesos to the Argentine peso (A$1.03 per U.S. dollar), considering that transactions through November 30, 2001 were carried out in the normal course of business and the consequences of the measures adopted by the Argentine government in December affect our financial information for periods after December 1, 2001 and thereafter.

We calculated the restatement of foreign-origin fixed assets owned by Coca-Cola FEMSA Buenos Aires using the controlled exchange rate. Further, we adjusted liabilities denominated in foreign currencies to the exchange rate of 1.70 Argentine pesos to the U.S. dollar, although it is possible that some of those liabilities may be settled at the controlled exchange rate.

In order to present comparative figures for previous years and in accordance with accounting guidelines mandating under these circumstances the restatement of the financial results of foreign subsidiaries in past years, we used the fiscal year-end exchange rate to restate previous years' balance sheets (A$1.70 per U.S. dollar) and the weighted average exchange rate to restate income statement items (A$1.03 per U.S. dollar). We believe that these methods of consolidating our Argentine operations with respect to prior periods are reasonable. See "Item 5. Operating and Financial Review and Prospects—Results of Operations for the Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000—Impact of the Devaluation of the Argentine Peso Against the U.S. Dollar."

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

References herein to "U.S. dollars," "U.S. $" or "$" are to United States dollars. This annual report contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at a rate of U.S. $1.00 to Ps.9.18, the U.S. dollar/Mexican peso exchange rate at which we were able to purchase U.S. dollars at December 31, 2001. 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, 2001, the Noon Buying Rate was Ps.9.16 to U.S. $1.00. The peso/U.S. dollar exchange rate historically has been highly volatile and, accordingly, the translation to U.S. dollars at the December 31, 2001 exchange rate may not accurately represent the financial condition of our company in U.S. dollar terms at a later date. On June 14, 2002, the Noon Buying Rate was Ps.9.66 to U.S. $1.00. See "Item 3. Key Information—Exchange Rates" for information regarding exchange rates since January 1, 1997.

References herein to "Argentine pesos" or "A$" are to the lawful currency of Argentina. The Federal Reserve Bank of New York does not publish a noon buying rate for Argentine pesos. In December, 2001, the Argentine government adopted a series of currency withdrawal and foreign exchange restrictions in response to an economic crisis affecting that country. During this period, the government implemented dual foreign exchange mechanisms and we reflected the impact on our financial information as discussed above. See "Item 5. Results of Operations for the Year Ended December 31, 2001 compared to the Year Ended December 31, 2000—Impact of the Devaluation of the Argentine Peso Against the U.S. Dollar."

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

Forward-Looking Information

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

Item 1. Identity of Directors, Senior Management and Advisers

AUDITORS

Change in Auditors

Our auditors, Ruiz, Urquiza y Cía., S.C. ("Ruiz Urquiza"), a former member firm of Andersen Worldwide, S.C., entered into agreements with Galaz, Gómez Morfín, Chavero, Yamakazi, S.C. ("Galaz"), the principal affiliate of Deloitte Touche Tohmatsu ("DTT") in Mexico, to provide for the association of Ruiz Urquiza with DTT through Galaz, effective June 10, 2002. Prior to that date, Ruiz Urquiza was subject to the quality control procedures of Arthur Andersen LLP, as required for foreign associated firms by the U.S. Securities and Exchange Commission Practice Section of the American Institute of Certified Public Accountants ("AICPA"). Subsequent to June 10, 2002, Deloitte & Touche LLP has performed such quality control procedures with respect to Ruiz Urquiza's audit of the financial statements for the year ended December 31, 2001 included in this annual report.

Item 2. Not Applicable

Item 3. Key Information

SELECTED FINANCIAL DATA

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

The balance sheet at December 31, 2001 and 2000 and the consolidated income statement for the years ended December 31, 2001, 2000 and 1999 of Coca-Cola FEMSA de Buenos Aires were prepared in accordance with our policies and generally accepted accounting principles in Argentina, which are similar to Mexican GAAP (except with respect to comprehensive inflation accounting, which was discontinued in Argentina as of August 1995 due to the low rates of inflation prevailing in Argentina). Coca-Cola FEMSA de Buenos Aires maintains its books in Argentine pesos. Historically, in order to consolidate financial information for this subsidiary for a particular period with other financial information of our company, we translated 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. Until December 1998, we restated the subsidiary's financial information for prior periods by applying the AWPI. After this period, we began using the ACPI to restate this information. We then translated such restated information as described above, using the exchange rate in effect at the end of the most recent completed period for which financial results are being reported.

For purposes of this annual report, all amounts recorded in Argentine pesos are translated into Mexican pesos using the product of a U.S. dollar/Mexican peso exchange rate of $1.00 = Ps.9.18 and a U.S. dollar/Argentine peso exchange rate of $1.00 = A$1.00 for the first eleven months of 2001, which results in a conversion rate of Ps.9.18 to A$1.00 during this period. For December 2001, we used an exchange rate of $1.00 = A$1.70, the exchange rate available on the open market. This method resulted in a weighted average exchange rate of 8.891 Mexican pesos per Argentine peso (or A$1.03 per U.S. dollar) for the year.

Included elsewhere in this annual report are our Consolidated Financial Statements. The Consolidated Financial Statements were prepared giving effect to Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," and Bulletin B-12, "Statement of Changes in Financial Position," issued by the Mexican Institute of Public Accountants. Generally, Bulletin B-10 is designed to provide for the recognition of certain effects of inflation by requiring us to restate non-monetary liabilities using the National Consumer Price Index ("NCPI"), to restate the components of stockholders' equity using the NCPI, and to record gains or losses in purchasing power from holding monetary liabilities or assets. Through December 31, 1996, Bulletin B-10 further required that non-monetary assets be restated at replacement cost or using the NCPI; for purposes of the Consolidated Financial Statements, non-monetary assets have been restated at replacement cost. On January 1, 1997, the Fifth Amendment to Bulletin B-10 went into effect, which establishes an option to restate fixed assets by: (i) applying the NCPI; or (ii) for domestic fixed assets applying the NCPI, and for imported equipment, applying the inflation rate of the country of origin, then translated at the year-end exchange rate. We adopted the second option. Bulletin B-10 requires restatement of all financial statements to constant pesos as of the date of the most recent balance sheet presented. Bulletin B-12 requires that the statement of changes in financial position reconcile changes from the restated historical balance sheet to the current balance sheet. Accordingly, all data in the Consolidated Financial Statements, and the selected financial information derived from the Consolidated Financial Statements set forth below, have been stated or restated in constant pesos as of December 31, 2001. The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to U.S. GAAP. See Notes 21 and 22 to the Consolidated Financial Statements.

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

	At or for the Year ended December 31,[1]					
	2001	2001	2000	1999	1998	1997
	(millions of U.S. dollars or constant Mexican pesos at December 31, 2001 except per share data)					
Income Statement Data:						
Mexican GAAP						
Net Sales	$ 1,888.2	Ps. 17,334.1	Ps. 16,714.9	Ps. 15,278.2	Ps. 14,496.5	Ps. 12,594.8
Total revenues	1,906.7	17,503.9	16,856.5	15,332.0	14,601.1	12,693.4
Cost of sales	899.3	8,255.5	8,324.1	8,059.7	8,035.8	6,883.6
Gross profit	1,007.4	9,248.3	8,532.4	7,272.3	6,565.2	5,809.9
Operating expenses	581.8	5,340.9	5,377.7	4,874.5	4,512.2	3,971.7
Goodwill amortization	12.1	111.2	118.2	126.8	135.4	108.2
Income from operations	413.5	3,796.3	3,036.5	2,271.0	1,917.6	1,730.0
Net income	244.4	2,243.9	1,329.4	1,060.5	746.6	987.2
Majority income	244.4	2,243.9	1,329.4	1,060.5	746.6	955.7
Majority income per share[2]	0.17	1.57	0.93	0.74	0.52	0.67
U.S. GAAP						
Net Sales	$ 1,888.2	Ps 17,334.1	Ps. 17,228.5	Ps. 16,095.2	Ps 16,121.3	Ps. 13,979.2
Total revenues	1,906.7	17,503.9	17,315.1	16,154.6	16,262.8	14,110.8
Income from operations[3]	390.6	3,585.9	2,982.1	2,203.0	1,920.1	1,741.0
Net income	237.1	2,176.5	1,460.1	1,113.5	586.1	983.2
Majority income	237.1	2,176.5	1,460.1	1,113.5	586.1	943.4
Majority income per share[2]	0.17	1.53	1.02	0.78	0.41	0.66
Balance Sheet Data:						
Mexican GAAP						
Total assets	$ 1,506.7	Ps. 13,831.1	Ps. 11,297.5	Ps. 10,864.4	Ps. 11,222.3	Ps. 10,579.2
Long-term debt	305.5	2,804.4	3,078.0	3,262.1	3,827.0	3,744.5
Majority stockholders' equity	814.2	7,474.6	5,162.6	5,066.5	4,527.0	4,248.9
Total stockholders' equity	814.2	7,474.6	5,162.6	5,066.5	4,527.0	4,248.9
U.S. GAAP						
Total assets	$ 1,562.5	Ps. 14,343.8	Ps. 13,769.6	Ps. 13,064.1	Ps. 13,763.6	Ps. 12,926.8
Long-term debt	304.0	2,790.3	3,065.0	3,269.5	3,857.9	3,804.2
Majority stockholders' equity	813.6	7,468.6	6,770.6	5,752.2	5,249.5	4,927.6
Total stockholders' equity	813.6	7,468.6	6,770.6	5,752.2	5,249.5	4,927.6
Other Data:						
Mexican GAAP						
Depreciation	$ 71.0	Ps. 651.6	Ps. 710.5	Ps. 606.5	Ps. 475.3	Ps. 375.4
Capital expenditures	99.3	911.5	889.4	929.9	1,743.4	1,544.4
U.S. GAAP						
Depreciation	$ 71.7	Ps. 657.8	Ps. 760.3	Ps. 662.1	Ps. 524.9	Ps. 417.1
Capital expenditures	99.3	911.5	939.6	995.1	1,831.4	1,873.8

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

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

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

Exchange Rates

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

	Exchange Rate			
	High	Low	Average[1]	Period End
1997	8.41	7.72	7.97	8.07
1998	10.63	8.04	9.15	9.90
1999	10.60	9.24	9.56	9.48
2000	10.09	9.18	9.47	9.62
2001	9.97	8.95	9.33	9.16
First Quarter 2002 (January 1 – March 31)	9.25	9.00	9.10	9.00

(1) Average of end of month rates.

	Exchange Rate	
	High	Low
2001:		
January	9.9720	9.6650
February	9.7800	9.6570
March	9.7060	9.4850
April	9.4225	9.1870
May	9.2915	8.9460
June	9.1800	9.0450
July	9.3600	9.0270
August	9.2170	9.0850
September	9.5700	9.1990
October	9.5890	9.2002
November	9.3085	9.1475
December	9.2450	9.0900
2002:		
January	9.2500	9.0950
February	9.1700	9.0480
March	9.1140	9.0005
April	9.3750	9.0020
May	9.7130	9.4075
June [1]	9.7695	9.6380

(1) From the period beginning June 1, 2002 until June 14, 2002.

Unless otherwise indicated, U.S. dollar amounts have been translated from pesos at a rate of U.S. $1.00 to Ps.9.18, the U.S. dollar/Mexican peso exchange rate at which we were able to purchase U.S. dollars at December 31, 2001.

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.

Since 1999, the peso has been relatively stable. Towards the end of 2001 and the beginning of 2002, the peso exhibited considerable appreciation against the U.S. dollar and, more strongly, against other foreign currencies. In the second quarter of 2002, however, the peso has depreciated. We can make no assurance that the Mexican government will maintain its current policies with regard to the peso or that the peso will not further depreciate significantly in the future.

In December 2001, the Argentine government implemented a number of economic measures that limited cash withdrawals from local bank deposits. In particular, the government restricted financial transactions denominated in foreign currencies from December 21, 2001 to January 11, 2002. Immediately following this period, the government announced a dual foreign exchange rate mechanism whereby a controlled exchange rate fixed at A$1.40 per U.S. dollar for specific import/export related transactions coexisted with a free-floating exchange rate calculated by demand and supply for local transactions.

As a result of the economic crisis in Argentina and the uncertainty over the value of the Argentine peso, we recognized a loss generated by the devaluation of the Argentine peso versus the U.S. dollar against our original investment in Argentina. We can make no assurances that the Argentine government will continue its present foreign currency exchange policies or that the Argentine peso will not further depreciate significantly in the near future.

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

DIVIDENDS AND DIVIDEND POLICY

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

Year	pesos per Share (nominal)	U.S. dollars per Share
1997	0.070	0.009
1998	0.096	0.011
1999	0.123	0.013
2000	0.153	0.015
2001	0.212	0.023

On March 12, 2002, the holders of our Series A Shares and our Series D Shares approved a cash dividend of Ps.0.3937 per share for 2001 earnings payable to holders of Series A Shares, Series D Shares and Series L Shares. This dividend was paid in May 2002.

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

RISK FACTORS

Risks Related to our Company

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

Approximately 99% of our net sales in 2001 were derived from the distribution of Coca-Cola trademark beverages. We produce, market and distribute Coca-Cola trademark beverages through standard bottler agreements. These bottler agreements with The Coca-Cola Company cover all of our present territories. Through its rights under the bottler agreements, The Coca-Cola Company has the ability to exercise substantial influence over the conduct of our business. See "Item 4. Information on the Company—Bottler Agreements."

Under our bottler agreements, The Coca-Cola Company may set the price for its concentrate unilaterally. Furthermore, in conjunction with The Coca-Cola Company, we prepare a three-year general business plan that is submitted to our board of directors for approval. The Coca-Cola Company may require that we demonstrate our financial ability to meet our plans and may terminate our rights to produce, market and distribute soft drinks in territories with respect to which such approval is withheld. We are prohibited from bottling any soft drink product without The Coca-Cola Company's authority or consent. The Coca-Cola Company has the exclusive right to import and export Coca-Cola trademark beverages to and from Mexico and Argentina. In addition, we may not transfer control of our bottling rights for a territory without the consent of The Coca-Cola Company.

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

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

The cumulative effect of our relationships with The Coca-Cola Company and Fomento Económico Mexicano, S.A. de C.V., a Mexican beverage company commonly known as FEMSA, gives each of these corporations significant influence on the conduct of our business and gives them, together, the ability to control our company. The Coca-Cola Company indirectly owns 30% of our outstanding capital stock, representing 37% of the voting rights in our company. The Coca-Cola Company is entitled to appoint four of our 16 directors and certain of our executive officers and, except under limited circumstances, has the power to veto significant decisions of our board of directors. FEMSA indirectly owns 51% of our outstanding capital stock, representing 63% of the voting rights in our company. FEMSA is entitled to appoint 11 members of our board of directors and certain of our executive officers. The Coca-Cola Company and FEMSA together, or FEMSA acting alone in certain limited circumstances, thus have the power to determine the outcome of all actions requiring approval by our board of directors, and FEMSA and The Coca-Cola Company together, except in certain limited situations, have the power to determine the outcome of all actions requiring approval of our shareholders. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."

Regulatory developments in Mexico, including excise taxes on soft drinks, could adversely affect our business.

Actions of Mexican federal and local authorities, in particular changes in governmental policy with respect to excise and value-added tax laws, may have a material adverse impact on our business and its prospects, financial conditions and results of operations. There are currently no specific taxes on soft drinks in Mexico. However, soft drinks are subject to an economy-wide value-added tax. Additionally, Mexican federal authorities have imposed taxes in the past on soft drinks produced with certain raw materials, such as high fructose corn syrup. We can give no assurance that the Mexican government will not impose similar taxes in the future.

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

Prior to November 1992, carbonated soft drinks were subject to statutory price controls in Mexico. From November 1992 to December 1995, the industry was subject to voluntary price restraints, which effectively limited our ability to increase prices in the Mexican market without the consent of the Mexican government. Price increases for certain beverage presentations were negotiated between the Mexican government and the *Asociación Nacional de Productores de Refrescos y Aguas Carbonatadas, A.C.* (the National Association of Bottlers). Based on an agreement between the Mexican government and the National Association of Bottlers, since January 1, 1996, Mexican bottlers have been free to set prices for all presentations without governmental participation. We can give no assurance that the Mexican government will not reimpose voluntary price restraints or statutory price controls. See "Item 4. Information on the Company—Regulation—Price Controls."

A water supply shortage could adversely affect our business.

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

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

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

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

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

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

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

The beverage industries in the Mexican and Buenos Aires Territories are highly competitive. Our principal competitor in the Mexican Territories is Pepsi Gemex, S.A. de C.V. ("Pepsi Gemex"), a bottler affiliated with PepsiCo. currently under consideration for acquisition by the Pepsi Bottling Group ("PBG"), the largest PepsiCo. bottler worldwide. Our principal competitor in Buenos Aires is Buenos Aires Embotelladora S.A. ("BAESA"), a large PepsiCo. bottler also currently under consideration for acquisition by Companhia de Bebidas das Amers ("AmBev"), Latin America's largest brewer. In addition, in each of our territories we compete with various other bottlers and distributors of nationally and regionally advertised soft drinks. Our ability to maintain existing prices or implement price increases depends to a great extent on competitive conditions and the effect of such prices on sales volume. Price discounting has been a means of maintaining or increasing sales volume share, particularly in Buenos Aires, but may have an adverse effect on our results of operations. Although we believe that we are well positioned to meet our objective of maintaining or increasing our sales volume at satisfactory price levels in the various territories in which we compete, competition is likely to continue or intensify, particularly if the proposed acquisitions of Pepsi Gemex and BAESA are consummated. We can give no assurance that we can meet our objective of increased sales volume or that price discounting will not continue to have an adverse effect on our results of operations.

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

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

Risks Related to our Controlling Shareholders and Capital Structure

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

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

Holders of our Series L Shares have limited voting rights.

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

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

Our shares are traded on the New York Stock Exchange in the form of ADSs. Each ADS represents ten Series L Shares. Under Mexican law, if we issue new shares for cash as a part of a capital increase, we must generally grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. We may not legally be permitted to allow holders of our ADSs in the United States to exercise any preemptive rights in any future capital increases unless (i) we file a registration statement with the U.S. Securities and Exchange Commission (the "SEC") with respect to that future issuance of shares or (ii) the offering qualifies for an exemption from the registration requirements of the U.S. Securities Act of 1933. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, as well as the benefits of preemptive rights to holders of our ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We can give no assurance that we will file a registration statement with the SEC to allow holders of our ADSs in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, sales by the depositary of preemptive rights and distribution of the proceeds from such sales to ADS holders are not possible. As a result, the equity interest of our ADS holders would be diluted proportionately. See "Item 10. Additional Information—Bylaws—Preemptive Rights."

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

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

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

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

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

We engage in transactions with subsidiaries of both FEMSA and The Coca-Cola Company. Our transactions with FEMSA include supply agreements under which we purchase certain supplies and equipment, a service agreement under which a FEMSA subsidiary transports finished products from our production facilities to our distribution facilities in Mexico, and a service agreement under which a FEMSA subsidiary provides administrative services to our company. In addition, we have entered into cooperative marketing arrangements with The Coca-Cola Company and FEMSA. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions." Transactions with affiliates may create the potential for conflicts of interest. We have not established specific procedures applicable to transactions with affiliates to guard against conflicts of interest, but we have in practice sought to engage in such transactions on an arms-length basis.

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

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

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

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

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

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

Exchange rate fluctuations may affect the value of our securities.

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

Risks Related to Mexico

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

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

Mexico has experienced adverse economic conditions.

Mexico experienced a severe economic crisis following the devaluation of the peso in December 1994. In recent years, economic crises in Asia, Russia, Brazil and other emerging markets have adversely affected the Mexican economy and could do so again. In 2000, Mexico's gross domestic product, or GDP, increased 6.9% and inflation was 9.0%. In 2001, inflation declined to 4.4%, and real GDP decreased by 0.1% in real terms in 2001, as compared with 2000.

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

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

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

Declines in the value of the peso relative to other currencies increase our interest costs in pesos relative to our indebtedness denominated in such other currencies. Such declines could also cause us to register foreign exchange losses and could adversely affect our ability to meet our interest and principal obligations under our indebtedness. As of December 31, 2001, all of our indebtedness was denominated in U.S. dollars, and we may in the future incur additional non-peso-denominated indebtedness. The value of the peso has been subject to significant fluctuations with respect to the U.S. dollar in the past and may be subject to significant fluctuations in the future. For example, from January 1, 1995 to March 31, 1996, the Mexican peso depreciated 50.8% to Ps.7.5375 per U.S. dollar and fluctuated from a high, relative to the U.S. dollar, of Ps.5.00 to a low, relative to the U.S. dollar, of Ps.8.14.

Furthermore, severe devaluation or depreciation of the peso may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our indebtedness. While the Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico, the government could institute restrictive exchange rate policies in the future. To the extent that there are currency fluctuations, they are likely to continue to have an effect on our financial condition, results of operations and cash flows in future periods.

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

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

Mexico has experienced high levels of inflation in recent years. The annual rate of inflation, as measured by changes in the NCPI, was 12.3% for 1999, 9.0% for 2000, and 4.4% for 2001. On June 14, 2002, the 28-day *Cetes* rate was 7.2%. High interest rates in Mexico may adversely affect our costs and thus our financial condition and results of operations.

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

The Mexican national elections held in July 2000 ended 71 years of rule by the *Partido Revolucionario Institucional* (Institutional Revolutionary Party or PRI) with the election of President Vicente Fox, a member of the *Partido Acción Nacional* (National Action Party or PAN). The elections resulted in increased representation by opposition parties in mayoral, gubernatorial, and legislative positions throughout Mexico and transformed Mexico from a one-party state to a pluralist democracy. Neither the PRI nor the PAN have succeeded in securing a majority in the Congress or Senate.

Although there have not yet been any material adverse repercussions resulting from this political change, multiparty rule is still relatively new in Mexico and could result in economic or political conditions that could

materially and adversely affect our operations. In addition, the lack of a majority party in the legislature and the lack of political alignment between the legislature and the presidency have resulted in deadlock that could prevent the timely implementation of economic policy, which in turn could have a material adverse effect on the Mexican economy and on our business.

Risks Related to Argentina

Recent economic instability in Argentina has paralyzed commercial and financial activities.

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

Argentina experienced high rates of inflation in the 30 years prior to 1991, resulting in significant devaluations of its currency. Although Argentina developed a number of corrective mechanisms to reduce the negative effects of inflation in the seven years following 1991, the Argentine economy entered into a recession in the first quarter of 1998. Economic difficulties related to public sector spending, legal reforms and social programs further weakened existing conditions, resulting in a GDP decline of 3% in 1999. In 2000, GDP declined by 0.5%, and in 2001, GDP dropped 4.5%, with a 10% decrease in GDP recorded in the fourth quarter as compared to the third quarter.

Throughout 2001, Argentina continued to experience increased capital flight and decreased economic activity. Measures taken during the second and third quarters of 2001 to address the deteriorating economy failed to restore investor confidence or improve Argentina's competitiveness and fiscal deficit. Eroding tax revenues resulting from the recession exacerbated the public sector's dependence on financing from local and, to a lesser extent, foreign banks, effectively foreclosing private sector companies from bank financing. As speculation that Argentina would cease to honor its public debt obligations increased, interest rate spreads on Argentine government securities reached record highs, bringing the economy to a virtual standstill. During this time, the unemployment rate soared: as of October 31, 2001, it stood at 18.3%, compared to 14.7% as of October 31, 2000.

The lack of confidence in the country's economic future and its inability to sustain the peso's parity with the dollar led to massive cash withdrawals of U.S. dollar deposits from the banking system in the fourth quarter of 2001. Fearing a widespread bank run and seeking to safeguard the viability of the Argentine financial system, the government effectively froze bank deposits, restricting capital outflows by introducing exchange controls. The measures were perceived as further paralyzing the economy for the benefit of the banking sector, causing a sharp rise in social discontent and triggering public protests, outbreaks of violence and the looting of stores.

Since the first quarter of 2002, the Argentine government has implemented a series of additional measures through presidential decree, regulations of the Central Bank of Argentina and legislation passed by the Argentine Congress. The most salient of these measures are set forth below.

- The currency exchange rate markets were unified under a single, free-floating rate in February 2002. As of June 14, 2002, the free-floating exchange rate was approximately A$3.55 = U.S.$1.00.

- The suspension of debt payments on most of Argentina's sovereign debt was ratified.

- All U.S. dollar-denominated bank deposits were converted into Argentine peso-denominated bank deposits at an exchange rate of A$1.40 per U.S. dollar.

- All U.S. dollar-denominated debts were converted into Argentine peso-denominated debts at a one-to-one exchange rate.

- Transfers of funds outside Argentina were restricted, except for trade-related payments and payments on financial transactions approved by the Central Bank of Argentina on a case-by-case basis.

- A state of economic emergency was declared, to last through December 10, 2003, which sought to cover production and credit aspects.

The Argentine government is currently considering supplementary measures that will govern, among other things, the convertibility of U.S. dollar-denominated loans and the payment of external private debt.

The economic situation described above has had, and may continue to have, a material adverse effect on our results of operations. See "Item 5. Operating and Financial Review and Prospects—Results of Operations for the Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000—Impact of the Devaluation of the Argentine Peso Against the U.S. Dollar." Because domestic demand for our products broadly reflects prevailing conditions in the Argentine economy, contraction in the domestic economy may reduce demand for our soft drink products and may adversely affect our business. If the Argentine economy continues to experience extended periods of negative growth or significant inflation and devaluation of the Argentine peso, our business, financial condition and results of operations could suffer material adverse consequences.

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

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

In addition to the negative economic growth and the volatile financial conditions that the Argentine economy has experienced in recent years, the Argentine political and regulatory environment has also exhibited significant instability. In 1999, the incumbent Peronist Party lost the general election to the Alianza, a coalition of left-leaning, formerly Peronist factions and the traditional, middle-class, center-left Radical Party, led by Fernando de la Rúa, in a campaign that concentrated on allegations of corruption in the outgoing administration of Carlos Saúl Menem. Following his election, President de la Rúa was confronted with the challenges of dealing with Argentina's enduring economic recession and obtaining political consensus on critical issues related to the economy, public-sector spending, legal reforms and social programs. However, he lacked the support of Congress, which was controlled by the opposition Peronist party, and the cooperation of several provincial governors who were also Peronists. His political strength was further weakened by infighting within his own party, which reached a peak with the resignation of the Vice President in October 2000.

The de la Rúa administration failed to address adequately the growing public sector deficit, both at the federal as well as at the provincial level. Measures restricting currency withdrawals enacted in response to the flight of capital exacerbated social discontent, leading to violent demonstrations throughout Argentina on December 19, 2001 and the resignation of the Minister of Economy, Domingo Cavallo, the following day. On December 21, 2001, after declaring a state of siege, President de la Rúa resigned in the midst of an escalating political, social and economic crisis.

The subsequent political vacuum led a special session of the Argentine Congress to appoint provincial governor Adolfo Rodríguez Saá to hold office temporarily as President until March 2002, when an early general election was scheduled. Major measures taken by Rodríguez Saá included a formal declaration of default on the Argentine public debt, a decision to maintain the currency convertibility system, announcement of a social emergency plan and a decision to reduced government expenditures. On December 30, 2001, one week after his appointment, Rodríguez Saá tendered his resignation after he was unable to obtain necessary support to lend legitimacy to his administration. In a special session held on January 1, 2002, the Legislative Assembly elected Peronist senator Eduardo Duhalde as President to serve for the remaining term of former President de la Rúa until December 2003. The process leading to Duhalde's election has been challenged in the Argentine courts, as has the proposed duration of his term.

The period since the appointment of President Duhalde has been marked by continued social unrest and economic and political uncertainty. It is premature to predict the way in which the new government will seek to address the economic crisis, and at this time the degree of internal and external support for the Duhalde administration remains unclear. Widespread political protests and social disturbances continue to occur almost

daily, especially in opposition to restrictions on bank deposit withdrawals. To date, the International Monetary Fund and other multilateral and official sector lenders have indicated an unwillingness to provide financial aid until a sustainable economic program has been presented. It is unclear whether President Duhalde will be able to finish his mandated term or, even if he is able to remain in power, whether he will have the necessary support to implement the reforms required to restore economic growth. The rapid and radical nature of the recent changes in the Argentine social, political, economic and legal environment, and the absence of a clear political consensus in favor of the new government or any particular set of economic policies, have created an atmosphere of great uncertainty. As a result, virtually all economic and financial activities have been paralyzed, further aggravating the economic recession and the political instability related to it.

Because the political situation in Argentina remains volatile, changes in economic policy that emerge as a result of political imbalance, as well as currency instability, could have a material adverse effect on our Company and on Coca-Cola FEMSA de Buenos Aires. We can give no assurance that future developments in Argentine economic policy will not have a material adverse effect on our business, financial condition, prospects and results of operations.

Item 4. Information on the Company

THE COMPANY

Corporate Background

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

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

In 1979, Emprex acquired certain soft drink bottling subsidiaries that are now a part of our company. At that time, the acquired subsidiaries had 13 distribution centers operating 701 distribution routes, and production capacity of the acquired subsidiaries was 83 million physical cases. As of December 31, 2001, we operated 60 distribution centers servicing approximately 1,737 distribution routes in Mexico and Argentina (including 172 third-party distribution routes in Argentina) with an annual sales volume of 607.8 million unit cases.

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

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

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

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

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

We expanded our Mexican operations in November 1997 by acquiring 100% of the capital stock of Embotelladora de Soconusco, S.A. de C.V., known as the Tapachula Franchise, a bottler in the Tapachula area of the state of Chiapas in Southern Mexico. With this acquisition, we service the entire state of Chiapas.

Business Strategy

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

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

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

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

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

In our facilities, we seek to rationalize our distribution capacity to improve the efficiency of our operations. As part of this plan, we closed several under-utilized centers and shifted distribution activities to other existing facilities. At the same time, we expanded bottling capacity at our Toluca plant to utilize our existing assets more efficiently. See "—Description of Property."

We have a capital expenditure program that includes investments in production and distribution facilities and information systems. We believe that this program will allow us to maintain the capacity and flexibility to create and respond to consumer demand for non-alcoholic beverages. In 2001, our capital expenditure program reached Ps.789 million (approximately U.S. $86 million), a 10.8% decrease over 2000. See "Item 5—Capital Expenditures."

In each of our facilities, we seek to increase productivity through infrastructure and process reengineering for improved asset utilization. To this end, our engineers have developed a production master plan for our company and are reconfiguring existing production sites, warehouse locations and information systems. We also introduced SAP (Software Application Products), a system that assists us in streamlining activities such as order processing, distribution, and warehousing.

As part of our plan to increase sales volume, we may consider the possibility of acquiring additional Coca-Cola bottler territories where such opportunities arise and when they fit into our financial plans. In this regard,

we continually evaluate the potential attractiveness of bottler territories located in Latin America. However, we cannot give any assurances that any such acquisition will occur. See "—Corporate Background" and "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."

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

Our Markets

Our subsidiaries operate in three geographically defined territories:

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

The Valley of Mexico Territory and the Southeast Territory together compose our Mexican Territories. The following maps show the locations of our territories at December 31, 2001.

Mexican Territories

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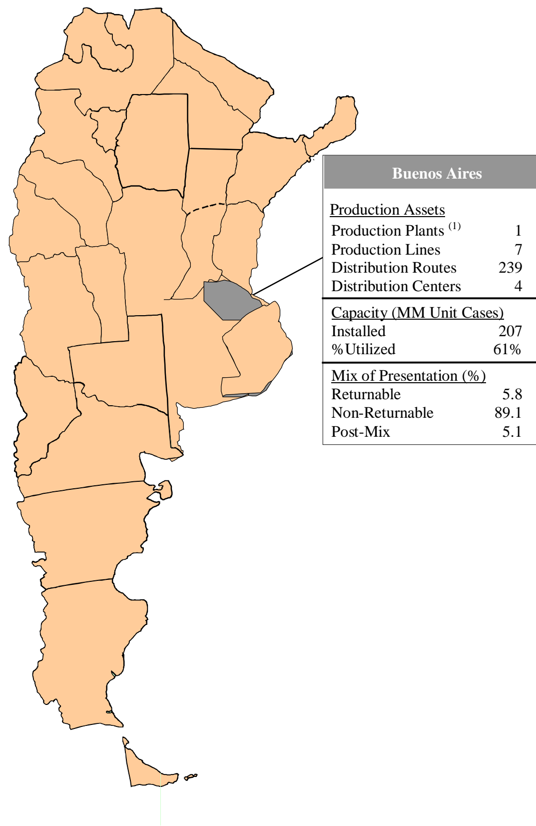
(1) In December 2001, we acquired the Sabino Plant from FEMSA when we entered into the Mundet franchise agreement with FEMSA. See "—Bottler Agreements." The Sabino Plant will be integrated into one of our existing production facilities in the Valley of Mexico.

Buenos Aires Territory



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

Our Products

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

Mexican Territories	Buenos Aires Territory
Coca-Cola	*Coca-Cola*
Coca-Cola light[(1)]	*Coca-Cola light*[(1)]
Sprite	*Sprite*
Sprite light[(2)]	*Sprite light*[(2)]
Fanta	*Fanta*
Fresca[(3)]	*Quatro*[(4)]
Lift[(5)]	*Kin*
Delaware Punch[(6)]	*Taí*[(8)]
Ciel[(7)]	*Schweppes*[(9)]
Beat[(9)]	*Hi-C*[(10)]
Senzao[(12)]	*Crush*[(11)]
Ciel Mineralizada[(13)]	*Black Fire*[(13)]
POWERADE[(14)]	
Sidral Mundet[(15)]	
Sidral Mundet light[(15)]	
Prisco[(15)]	

____

(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 December 1994.
(5) Introduced in May 1995.
(6) Introduced in March 1996.
(7) Introduced in 1997.
(8) Introduced in June 2000.
(9) Introduced in November 2000.
(10) Introduced in December 2000.
(11) Introduced in February 2001.
(12) Introduced in April 2001.
(13) Introduced in March 2001.
(14) Introduced in September 2001.
(15) Incorporated into our brand portfolio in December 2001.

Our single most important brand is *Coca-Cola*, which accounted for 72.2% of the total consolidated sales volume in 2001. *Sprite* and *Fanta*, which accounted for 4.7% and 4.3%, respectively, of the sales volume in 2001, are currently our second largest brands in terms of annual unit case sales volume.

During 2001, we introduced a number of new products in Mexico. In April 2001, we introduced *Senzao*, a guarana-flavored carbonated drink, to provide more choice to consumers seeking flavored soft drinks. In March 2001, we launched *Ciel Mineralizada*, a mineral water beverage, and discontinued the distribution of several mineral water products produced by Cadbury, Schweppes PLC, as discussed below. In September 2001, we introduced *POWERADE*, an isotonic sports beverage and our first entry into the sports beverage segment.

In December 2001, we began bottling and distributing *Sidral Mundet*, *Sidral Mundet light*, *Prisco* and certain other flavored carbonated beverages (together, the "*Mundet* brands") in the Valley of Mexico and most of our Southeast of Mexico territory pursuant to two bottler agreements we entered into with FEMSA. See "—Bottler Agreements". We expect that the addition of *Sidral Mundet*, a 100-year-old brand with a strong local heritage and market presence in Mexico, as well as the inclusion of other *Mundet* brands to the our beverage portfolio will expand our volume base and offer us with more flexibility to execute new market strategies. The terms and conditions of the franchise bottling agreement are similar to the current arrangements that we have entered into with The Coca-Cola Company for the bottling and distribution of Coca-Cola trademark soft drink beverages.

In Argentina, we introduced *Taí* in June 2000 and *Crush* in February 2001, both low price brands in multi-serving presentations, to better compete in the low price segment. We also began selling *Schweppes* in

November 2000 to provide additional choices to consumers seeking higher-end products. In addition, the introduction of *Hi-C*, a juice-based product, in December 2000 expanded our product portfolio outside the carbonated soft drink segment.

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

We have three bottler agreements with The Coca-Cola Company that grant us the exclusive right (subject to certain limited exceptions) to produce and sell the licensed products and use the related trade names and trademarks of the Coca-Cola Company in the Mexican and Buenos Aires Territories. See "—Corporate Background" and "—Bottler Agreements." We entered into our Mexican bottler agreements, including supplemental agreements, on June 21, 1993. These contracts include bottler agreements for the Valley of Mexico Territory and the Southeast Territory, the latter of which was amended on October 30, 1997 to include the Tapachula area. We entered into our Buenos Aires bottler agreement, including supplemental agreements, on August 22, 1994. We amended this agreement in 1995, 1996 and 1998 to include the San Isidro and Pilar areas previously served by SIRSA and RDN, respectively.

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

Sales

In evaluating the development of local sales territories, we and The Coca-Cola Company measure, among other factors, the per capita consumption of Coca-Cola trademark beverages. Per capita consumption data for a territory is determined by dividing management's estimate of applicable aggregate consumption figures within the territory (in bottles, cans and post-mix containers) by the estimated population within such territory, and is expressed on the basis of the number of eight-ounce servings consumed annually per capita. In our Valley of Mexico Territory, estimated per capita annual consumption of our Coca-Cola trademark beverages in 2001 was 455 eight-ounce servings, slightly lower than the national average of 462 servings of Coca-Cola trademark beverages. Consumption in our Southeast Territory was significantly lower than the national average in 2001, at 281 eight-ounce servings compared to 462 servings nationally. In our Buenos Aires Territory (including the Pilar area), estimated per capita annual consumption of our products in 2001 was approximately 271 eight-ounce servings, higher than the national average in Argentina of 236 eight-ounce servings. Our data shows that per capita consumption for all age groups grew in recent years in all of our territories, and we believe that general population growth in our Mexican Territories will result in increased sales.

Total unit case sales volume of our products increased 4.3% in 2001 compared to 2000. See "Item 5. Operating and Financial Review and Prospects—Results of Operations."

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

Combined Sales Volume

	Year ended December 31,				
	2001[1][2]	**2000**[1][2]	**1999**[1][2]	**1998**[1][2]	**1997**[2]
	(millions of unit cases, except percentages)				
Company Total	607.8	582.6	544.2	519.6	438.3
% Growth	4.3%	7.0%	4.7%	18.6%	15.2%

(1) Includes sales to certain accounts previously served by RDN, which we began servicing in June 1998.
(2) Includes sales within the Tapachula area, which we began servicing in November 1997.

We produce soft drinks in a variety of deliverable presentations:

	Year ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Unit Case Volume Mix by Presentation	**(in percentages)**				
Valley of Mexico					
Returnable	39.3%	42.2%	40.6%	48.0%	55.9%
Non-returnable[1]	58.4	55.5	57.3	50.0	41.9
Post-mix	2.3	2.3	2.1	2.0	2.2
Southeast Mexico					
Returnable	44.6%	50.3%	56.7%	60.8%	69.5%
Non-returnable[1]	54.8	49.1	42.8	38.8	30.1
Post-mix	0.6	0.6	0.5	0.4	0.4
Buenos Aires					
Returnable	5.8%	9.8%	10.3%	10.8%	30.3%
Non-returnable[1]	89.1	83.7	83.8	83.2	63.5
Post-mix	5.1	6.5	5.8	5.9	6.2

(1) Including cans.

Packaging Mix Summary

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

In 2001, approximately 99.7% of our unit case sales in the Mexican Territories were of Coca-Cola trademark beverages. Sales volume of Coca-Cola trademark beverages in the Mexican Territories increased by 4.3% in 2001 as compared to 2000. We attribute this increase to (i) the strengthening of our brand portfolio through the introduction of new flavors, (ii) increased availability of cold soft drink products as a result of investments in refrigeration sales units, (iii) increased packaging options provided by us to consumers, and (iv) continued marketing efforts.

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

Valley of Mexico Territory

	Year ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Unit Case Volume Mix by Brand	(in percentages)				
Coca-Cola	72.3%	73.4%	72.9%	72.6%	75.5%
Coca-Cola light[1]	3.8	3.5	3.3	2.9	2.6
Sprite	4.1	4.7	4.5	3.6	3.2
Sprite light[2]	0.1	0.1	0.1	0.1	0.1
Fanta	3.1	3.3	3.1	4.0	5.8
Fresca	4.3	5.2	5.7	5.7	3.8
Lift	5.6	6.1	6.9	7.1	6.0
Delaware Punch	1.1	1.2	1.2	1.2	1.7
Ciel[3]	2.6	1.8	1.6	2.0	0.5
Senzao[4]	1.8	–	–	–	–
Ciel Mineralizada[5]	0.8	–	–	–	–
POWERADE[6]	0.1	–	–	–	–
Subtotal Coca-Cola trademark beverages	99.7%	99.3%	99.4%	99.3%	99.3%
Etiqueta Azul[7]	0.2	0.7	0.6	0.7	0.7
Peñafiel	–	–	–	–	–
Sidral Mundet[8]	0.1	–	–	–	–
Sidral Mundet light[8]	–	–	–	–	–
Prisco[8]	–	–	–	–	–
Subtotal Other Beverages	0.3%	0.7%	0.6%	0.7%	0.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Unit Case Volume	(millions of cases)				
Coca-Cola trademark beverages	355.4	341.1	314.9	302.4	257.6
Other Beverages	0.9	2.4	2.0	2.1	1.9
Total	356.3	343.5	316.9	304.5	259.5
% Growth	3.7%	8.4%	4.1%	17.3%	21.4%

(1) Introduced in October 1997 as a replacement for *diet Coke*.
(2) Introduced in February 1999 as a replacement for *diet Sprite.*
(3) Introduced in August 1997.
(4) Introduced in April 2001.
(5) Introduced in March 2001.
(6) Introduced in September 2001.
(7) Discontinued in April 2001.
(8) Incorporated into our brand portfolio in December 2001.

Southeast Territory

	Year ended December 31,				
	2001	2000	1999	1998	1997
Unit Case Volume Mix by Brand			(in percentages)		
Coca-Cola	71.0%	72.7%	72.8%	71.3%	72.4%
Coca-Cola light[1]	1.4	1.2	1.1	1.2	1.0
Sprite	2.4	2.6	2.3	1.8	1.8
Sprite light[2]	*	*	*	*	*
Fanta	7.5	7.9	7.8	9.1	11.1
Fresca	3.2	3.3	3.1	3.0	3.2
Lift	6.2	6.6	6.8	6.9	6.5
Delaware Punch[3]	0.5	0.2	0.1	0.2	0.3
Ciel[4]	4.7	4.3	4.8	5.1	2.6
Senzao[5]	1.6	–	–	–	–
Ciel Mineralizada[6]	1.0	–	–	–	–
POWERADE[6]	0.1	–	–	–	–
Subtotal Coca-Cola trademark beverages	99.6%	98.6%	98.7%	98.5%	98.7%
Etiqueta Azul[7]	0.3	1.1	1.0	1.0	1.1
Peñafiel[8]	0.1	0.2	0.2	0.5	0.1
Subtotal Other Beverages	0.4%	1.3%	1.3%	1.4%	1.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Unit Case Volume			(millions of cases)		
Coca-Cola trademark beverages	121.1	116.0	99.9	95.3	74.6
Other Beverages	0.5	1.6	1.3	1.4	0.9
Total	121.6	117.6	101.2	96.7	75.6
% Growth	3.4%	16.2%	4.7%	27.9%	15.7%

* Less than 0.1%.
(1) Introduced in October 1997 as a replacement for *diet Coke*.
(2) Introduced in February 1999 as a replacement for *diet Sprite*.
(3) Introduced in March 1996.
(4) Introduced in April 1997.
(5) Introduced in April 2001.
(6) Introduced in September 2001.
(7) Discontinued in April 2001.
(8) Sold only in the Tapachula area.

Combined Mexican Territories Sales Volume

	Year ended December 31,				
	2001[1]	2000[1]	1999[1]	1998[1]	1997[1]
Unit Case Volume			(millions of unit cases)		
Total	477.9	461.1	418.1	401.2	335.1
% Growth	3.6%	10.3%	4.2%	19.7%	20.1%

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

Since 1995, we have introduced a number of new presentations in the Mexican Territories. These include 2.0-liter returnable plastic bottles, 1.0-liter non-returnable plastic bottles, 8-ounce non-returnable glass bottles, 0.25-liter non-returnable plastic bottles, and 0.6-liter plastic contour bottles to replace the 0.5-liter non-returnable glass and plastic presentations.

During 2001 we refocused our packaging mix strategy to reinforce our commitment to returnable packages and better segment our markets. Returnable plastic and glass presentations offer consumers a more affordable,

although less convenient, product. The price of a 2.0-liter returnable package is 17% less than the same size non-returnable package. These returnable products are mainly sold to small store retailers who benefit from returnable bottles' lower price per ounce of product, allowing them to compete with larger supermarkets. Returnable packages are profitable for us, because they make Coca-Cola trademark beverages more attractive to price-sensitive consumers. We believe that our continued commitment to returnable bottle availability will allow us to compete with low-price entrants to the Mexican soft drink market.

Our most popular soft drink presentations are the 2.0-liter returnable plastic bottles, the 0.6-liter non-returnable plastic contour bottle and the 2.0-liter non-returnable plastic bottle, which accounted for 31.0%, 23.8% and 15.2%, respectively, of our total soft drink sales volume in 2001 in the Mexican Territories. Although our packaging mix has shifted often from 1994 to the present, we expect the trend toward plastic presentations to stabilize going forward. Total non-returnable presentations (including cans and excluding post-mix containers) represented 57.5% of total soft drink sales in the Mexican Territories in 2001 as compared to 53.9% in 2000.

In recent years, multi-serving presentations (those presentations of more than 1.0-liter) have grown in importance in our product mix. In 2001, multi-serving presentations represented 48.2% of our total soft drink sales in the Mexican Territories, as compared to 49.4% in 2000. The shift to multi-serving presentations has resulted in an overall net increase in sales volume on a unit case basis in 1999 and 2000. We believe that the popularity of multi-serving presentations is primarily attributable to the lower price per ounce of product in larger presentations. Although the volume of multi-serving presentation decreased slightly in 2001, we expect the trend toward multi-serving presentations to continue.

Valley of Mexico Territory

	Year ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Unit Case Volume Mix by Presentation	(in percentages)				
Glass					
6.5-oz. returnable	0.5%	0.5%	0.5%	0.5%	0.7%
12.0-oz. returnable	7.2	7.8	8.6	11.5	14.0
26.0-oz. returnable	–	–	–	0.5	2.4
0.5-liter returnable[1]	–	–	–	–	0.8
12.0-oz. non-returnable[2]	–	–	–	*	0.1
0.5-liter non-returnable	–	0.0	0.1	10.4	13.7
8.0-oz. non-returnable[3]	0.4	–	–	–	–
Cans					
12.0-oz.	5.4	6.2	6.3	7.7	6.4
Plastic					
1.5-liter returnable	–	–	–	0.4	6.0
0.5-liter non-returnable	0.8	0.8	0.8	0.7	0.2
2.0-liter returnable	31.6	33.9	31.5	35.0	32.0
0.6-liter non-returnable	24.8	24.1	25.3	5.7	0.8
1.0-liter non-returnable	11.0	10.2	10.8	11.3	8.8
1.5-liter non-returnable[4]	1.8	1.2	1.0	1.3	0.3
2.0-liter non-returnable	13.6	13.0	12.7	12.9	11.7
0.25-liter non-returnable[5]	0.5	–	–	–	–
0.591-liter non-returnable[6]	0.1	–	–	–	–
Post-Mix	2.3	2.3	2.1	2.0	2.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Discontinued in December 1997.
(2) Discontinued in June 1998.
(3) Introduced in August 2001.
(4) Introduced in August 1997.
(5) Introduced in March 2001.
(6) Introduced in September 2001 for *POWERADE* sports beverages only.

Southeast Territory

	Year ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Unit Case Volume Mix by Presentation	(in percentages)				
Glass					
6.5-oz. returnable	0.0%	0.0%	* %	* %	0.1%
12.0-oz. returnable	6.3	7.8	10.1	12.7	17.5
26.0-oz. returnable	–	0.0	0.1	0.3	1.0
0.5-liter returnable	8.5	10.4	13.6	16.4	18.2
1.0-liter returnable(1)	0.4	0.5	0.8	0.9	0.9
1.25-liter returnable	–	0.0	0.3	1.1	1.5
12.0-oz. non-returnable	–	–	–	*	0.1
0.5-liter non-returnable	–	0.1	0.2	1.3	2.0
8.0-oz. non-returnable(2)	0.4	–	–	–	–
Cans					
12.0-oz.	5.0	6.2	7.2	10.8	9.7
Plastic					
1.5-liter returnable	–	–	–	–	–
2.0-liter returnable	29.3	31.5	31.9	29.3	30.3
0.5-liter non-returnable(3)	2.9	2.3	2.5	5.0	2.4
1.0-liter non-returnable	1.9	2.1	2.6	3.3	3.1
1.5-liter non-returnable(4)	2.7	2.6	3.0	3.1	1.5
2.0-liter non-returnable	19.9	19.2	16.8	15.0	11.3
0.6-liter non-returnable(5)	20.8	16.6	10.5	0.3	–
0.25-liter non-returnable(6)	1.2	0.1	–	–	–
0.591-liter non-returnable(7)	0.1	–	–	–	–
Post-Mix	0.6	0.6	0.5	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) Introduced in August 2001.
(3) Introduced in March 1997.
(4) Introduced in April 1997.
(5) Introduced in August 1998.
(6) Introduced in September 2000.
(7) Introduced in September 2001 for *POWERADE* sports beverages only.

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

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

Buenos Aires Territory

	Year ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Unit Case Volume Mix by Brand			(in percentages)		
Coca-Cola	60.6%	67.2%	68.5%	70.5%	71.4%
Coca-Cola light[1]	9.1	8.6	7.4	6.4	5.3
Sprite	7.1	9.0	9.8	9.9	9.3
Sprite light[2]	1.4	1.4	1.2	0.7	0.7
Fanta	4.9	7.6	8.1	7.1	7.3
Kin	0.5	0.6	0.7	1.0	1.6
Quatro	2.4	4.0	4.2	4.3	4.3
Taí[3]	8.4	1.2	–	–	–
Schweppes[4]	0.6	0.2	–	–	–
Hi-C[4]	0.8	0.1	–	–	–
Crush[5]	3.4	–	–	–	–
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Unit Case Volume			(millions of cases)		
Total	129.9	121.5	126.1	118.4	103.1
% Growth	6.9%	(3.7)%	6.5%	14.8%	1.6%

(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 June 2000.
(4) Introduced in October 2000.
(5) Introduced in February 2001.

In 2001, 100% of our unit case sales in the Buenos Aires Territory were of Coca-Cola trademark beverages. Sales volume of Coca-Cola trademark beverages in the Buenos Aires Territory increased 6.9% in 2001 as compared to 2000.

In 2001, 2.25-liter and 1.5-liter non-returnable plastic bottles accounted for 48.4% and 22.9% of total soft drink sales volume, respectively. In order to minimize the impact of the deteriorated economic situation in Argentina, we expect to launch new returnable presentations to increase the affordability of our products in these territories. In addition, we seek to increase sales in the on-premise segment, which consists of small retail outlets, restaurants, bars and various types of dispensing machines.

Buenos Aires Territory

	Year ended December 31,				
	2001	2000	1999	1998	1997
Unit Case Volume Mix by Presentation	(in percentages)				
Glass					
330 and 350 cc returnable	2.0%	2.4%	2.5%	2.8%	3.4%
1.0-liter returnable[1]	–	–	–	–	*
0.237-liter non-returnable[2]	1.8	2.2	1.5	–	–
Cans-12.0 oz.	6.1	7.2	8.3	10.5	9.9
Plastic					
1.5-liter returnable	3.7	7.4	7.8	8.0	26.6
2.0-liter returnable[3]	–	–	–	–	0.3
0.5-liter non-returnable	0.5	2.0	2.9	3.3	3.8
0.6-liter non-returnable	2.3	0.6	–	–	–
1.0-liter non-returnable[4]	0.5	0.7	0.8	0.7	1.7
1.5-liter non-returnable	22.9	29.0	27.4	26.2	4.9
2.0-liter non-returnable	0.1	2.3	3.1	3.1	15.4
2.25-liter non-returnable	48.4	39.5	39.7	39.4	27.7
1.75-liter non-returnable[5]	5.6	–	–	–	–
1.25-liter non-returnable[6]	0.6	–	–	–	–
Post-Mix	5.1	6.5	5.8	5.9	6.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

* Less than 0.1%.
(1) Discontinued in May 1997.
(2) Introduced in March 1999.
(3) Discontinued in August 1997.
(4) Introduced in July 1996.
(5) Introduced in January 2001.
(6) Introduced in December 2000.

Seasonality

Sales of our products are seasonal, as our sales levels generally increase during the summer and the Christmas holiday season. In the Mexican Territories, we typically achieve our highest sales during the summer months (April through September) as well as during the Christmas holidays in December. In the Buenos Aires Territory, our highest sales levels occur during the South American summer (October through March) and the Christmas holiday season.

Marketing

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

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

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

In addition, we advertise in all major communications media. We also focus attention on increasing brand recognition by consumers and improving our customer relations. National advertising campaigns are designed and proposed by The Coca-Cola Company's local affiliates, with our input at the local or regional level.

Cooperative Marketing Budget. Our total marketing expenditures made in the Mexican Territories decreased 0.4% to Ps.586.3 million in 2001 from Ps.588.9 million in 2000. In the Buenos Aires Territory, our marketing expenditures increased 36.1% to approximately A$26.0 million (Ps.230.9 million) in 2001 from A$19.1 million (Ps.169.8 million) in 2000. Under the 2001 and 2000 cooperative marketing budgets, The Coca-Cola Company contributed to our marketing expenditures by approximately matching the amount we spent on these marketing efforts in each respective year. See "—Bottler Agreements."

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

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

Product Distribution

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

Product Distribution Summary

	Mexico	Argentina
Distribution Centers	56	4
Distribution Trucks[1]	1,688	282
Sales Routes	1,498	239
Number of Retailers[2]	255,100	72,000

[1] Includes both company-owned trucks and subcontractors
[2] Estimated

Mexican Operations. We subcontract to our affiliate, FEMSA Logística, the transportation of finished products to our distribution centers from our Mexican production facilities. From the distribution centers, we then distribute our finished products to an estimated 255,100 retailers through our own fleet of trucks. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

Our distribution centers range from large warehousing facilities and re-loading centers to small deposit centers. In addition to our fleet of trucks, we distribute our products in certain locations through a fleet of electric carts and hand-trucks in order to comply with local environmental and traffic regulations.

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

trucks to be loaded with the mix of products that retailers need and desire, thereby increasing distribution efficiency. Under the pre-sale program, sales personnel also provide merchandising services during retailer visits, which we believe enhances the presentation of our products at the point of sale. At December 31, 2001, we made approximately 90% of our sales through the pre-sale system.

Argentine Operations. At December 31, 2001, we operated four distribution centers in the Buenos Aires Territory. We also utilize the pre-sale system in the Buenos Aires Territory and distribute our products by means of our own fleet of trucks and non-affiliate transportation subcontractors and through independent wholesalers. In addition, in designated zones independent wholesalers purchase our products at a discount from the wholesale price and resell the products to retailers. Independent wholesalers distributed approximately 18% of our products in Argentina in 2001.

Competition

Although we believe that our products enjoy wider recognition and greater consumer loyalty than those of our principal competitors, the soft drink segments of the Mexican and Argentine beverage markets are highly competitive. Our principal competitors are local bottlers of PepsiCo. beverage brands and other bottlers and distributors of national and regional soft drink brands. The principal PepsiCo. bottlers and our main competitors in Mexico and Buenos Aires, Pepsi Gemex and BAESA, are currently under consideration for acquisition by PBG and AmBev, respectively. See "Item 3—Risk Factors—Risks Related to our Company." Recently, packaging and price discounting have joined consumer sales promotions, customer service, and non-price retailer incentives as the primary means of competition among soft drink bottlers. We believe that the introduction of new presentations has been a major competitive technique in the soft drink industry during recent years. See "—Sales."

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

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

Raw Materials

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

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

Mexican Operations. We purchase some glass bottles, closures, plastic cases, cardboard products, commercial refrigerators, and certain lubricants and detergents for bottling lines from subsidiaries of FEMSA Empaques at competitive prices. We purchase some of our returnable plastic bottles from Continental PET Technologies de México, S.A. de C.V, a subsidiary of Continental Can, Inc., which has been the exclusive supplier of 2.0-liter returnable plastic bottles to The Coca-Cola Company and its bottlers in Mexico. We purchase the large majority of

our non-returnable plastic bottles, as well as pre-formed plastic ingots for the production of non-returnable plastic bottles, from ALPLA Fábrica de Plásticos, S.A. de C.V. ("ALPLA"), an authorized provider of PET for The Coca-Cola Company.

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

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

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

In the past, each of our Mexican bottling subsidiaries purchased sugar from Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of Coca-Cola bottlers. These purchases were 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 incorporated by reference standard industry provisions relating to the quality and delivery of the sugar.

In December 2001, the Mexican government expropriated the sugar industry in Mexico. To administer this industry, the Mexican government entered into a trust agreement with Nacional Financiera, S.N.C. ("Nafin"), a Mexican government-owned development bank, pursuant to which Nafin acts as trustee. We entered into a one-year advance sugar purchase agreement with Nafin to supply our sugar requirements in March 2002 in order to minimize the impact of possible increases in the price of sweeteners.

Sugar may also be obtained through purchases in the international market. However, imported sugar is presently subject to import duties, the amount of which is set by the Mexican government. Although there are currently no statutory price controls for sugar in Mexico, increases in the price of sugar, including increases that may occur in the event that import duties increase or import restrictions on sugar are imposed, will increase our cost of sales. To the extent we are unable to pass along their full amount to the consumer, such increases would adversely affect our net earnings.

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

	2001	**2000**	**1999**	**1998**	**1997**
Change over previous year [1]	(6.3)%	(10.2)%	(12.7)%	2.2%	8.3%

[1] Excludes the effect of inflation

Historically, we have bought HFCS from domestic sources (which may import finished HFCS or the corn required to produce HFCS) at prices competitive to the price of sugar. In 2001, the Mexican government imposed a 20% excise tax, effective January 1, 2002, on carbonated soft drinks sweetened with high fructose corn syrup. In March 2002, the government announced a temporary annulment of the tax in the Official Gazette of the Federation, citing discrimination against makers of HFCS. We initiated a proceeding (an "*amparo*") to challenge the excise tax on soft drink inventories produced with HFCS at the end of 2001 and the beginning of 2002. Because we converted our Mexican bottling facilities to sugar-cane-based production in early 2001, we believe that neither an eventual

repeal of the tax's temporary annulment nor an unfavorable decision of our proceeding challenging the tax should have a material adverse effect on our financial results.

Imported HFCS is currently subject to import duties, the amount of which is set by the Mexican government. Although we do not currently use HFCS, increases in the price of HFCS, including increases that may occur in the event that import duties increase or import restrictions on HFCS are imposed, will increase our cost of sales and adversely affect our net earnings to the extent that we use HFCS in the future and we are unable to pass along the full amount of such increases to the consumer.

Of the raw materials required in the bottling of our products, the prices of aluminum cans, plastic bottles, bottle closures (both steel and plastic), other packaging materials and HFCS are quoted in U.S. dollars and therefore are affected by the fluctuation of the peso against the U.S. dollar. We have historically passed on increases in these costs to our customers in the form of price increases. During 2001, the average real unit price in Mexican peso of these dollar-denominated costs decreased on average. This decrease was the result of the appreciation of the Mexican peso against the U.S. dollar. We purchase all of our raw materials, excluding those discussed above for our Mexican Territories and including soft drink concentrate, in pesos.

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

We purchase our can presentations for distribution to its customers in Buenos Aires from Complejo Industrial CAN S.A. ("CICAN"). In December 1996, The Coca-Cola Company sold CICAN to a group of bottlers that included Coca-Cola FEMSA de Buenos Aires. Under the terms of the shareholders' agreement among these bottlers, CICAN is managed as a joint venture. In 1996, Coca-Cola FEMSA de Buenos Aires paid A$4.6 million (in nominal 1996 pesos) for a 44.2% equity interest in CICAN 48.1% as of December 31, 2001).

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

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

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

	2001	2000	1999	1998	1997
Change over previous year [(1)]	0.6%	(10.4)%	(22.1)%	2.8%	4.1%

(1) Excludes the effect of inflation.

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

REGULATION

Price Controls. Prices of our products have been regulated by the Mexican government in the past. Prior to 1992, prices of carbonated soft drinks were regulated by the Mexican government. From 1992 to 1995, the industry was subject to voluntary price restraints. However, in response to the devaluation of the peso relative to the U.S. dollar in 1994 and 1995, the Mexican government adopted an economic recovery plan to control inflationary pressures in 1995. As part of this plan, the Mexican government encouraged the *Asociación Nacional de Productores de Refrescos y Aguas Carbonatadas, A.C.* (the National Association of Bottlers) to engage in voluntary consultations with the Mexican government with respect to price increases for returnable presentations, limiting our ability to pass on increases in the prices of raw materials. Such voluntary consultations were terminated in 1996. Due to their gradual implementation, price increases in 1996, 1997 and 1998 did not totally offset the effect of inflation. We implemented strategic price increases at the end of 2001 and the beginning of 2002 in the Mexican and Argentine territories.

Taxation of Soft Drinks. Taxation of soft drinks differs in Mexico and Argentina. In January 2002, the Mexican government imposed a 20% excise tax on soft drinks produced with high-fructose corn syrup. Because the government delayed the implementation of this tax until September 2002, there are currently no specific taxes on soft drinks in Mexico. However, soft drinks are subject to an economy-wide value-added tax of 15%. In Argentina, soft drinks are subject to an economy-wide value-added tax of 21%. Prior to 1996, cola soft drinks in Argentina were subject to an excise tax of 24%, which was lowered in April 1996 to 4.0%. From 1996 to December 31, 1999, the cola tax remained at 4%. On January 1, 2000, the Argentine government implemented a tax bill mandating that the cola tax be increased to 8% and that other flavored soft drinks and bottled water be taxed at 4%.

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

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

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

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

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

In addition, we are subject to the *Ley Federal de Derechos* (the Federal Law of Governmental Fees). Adopted in January 1993, the law provides that plants located in Mexico City that use deep water wells to supply their water requirements must pay a fee to the city for the discharge of residual waste water to drainage. In 1995, municipal authorities began to test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by SEMARNAP. All of our bottling plants located in the Valley of Mexico Territory, as well as the Toluca plant, met these new standards in 2001, and as a result, we were not subject to additional fees. See "—Description of Property—Production Facilities."

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

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

BOTTLER AGREEMENTS

Coca-Cola Bottler Agreements

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

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

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

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

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

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

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

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

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

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

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

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

Mundet Bottler Agreements

On November 2, 2001, we entered into two franchise bottling agreements with Promotora de Marcas Nacionales, a subsidiary of Emprex, under which we became the sole franchisee for the production, bottling, distribution and sale of Mundet brands in the Valley of Mexico and most of our Southeast Mexico Territory. Each franchise agreement has a term of ten years and will expire on November 2, 2011. Both agreements are automatically renewable for ten-year terms, subject to non-renewal by either party with notice to the other party. Other terms and conditions of the franchise agreements are similar to the current arrangements that we have entered into with The Coca-Cola Company for the bottling and distribution of Coca-Cola trademark soft drink beverages.

DESCRIPTION OF PROPERTY

The following tables summarize the value of our properties at December 31, 2001.

Total Asset Value Summary
At December 31, 2001

	Book Value	
	(millions of pesos)	(% of total)
Mexican Territories	Ps. 12,200.5	88.2%
Buenos Aires Territory	1,630.6	11.8%
Total	Ps. 13,831.1	100.0%

Property, Plant and Equipment Summary
At December 31, 2001

	Book Value	
	(millions of pesos)	(% of total)
Valley of Mexico Territory	Ps. 4,049.9	62.7%
Southeast Territory	1,635.6	25.3%
Buenos Aires Territory	773.9	12.0%
Total	Ps. 6,459.4	100.0%

Production Facilities

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

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

Mexican Operations. As of December 31, 2001, we owned four bottling plants in the Valley of Mexico with a combined total installed annual capacity of 529 million unit cases and a capacity utilization of 67%. In the Southeast Territory, we operated four bottling plants with a combined total installed annual capacity of 134 million unit cases and with capacity utilization of 74%. In May 2001, we closed our Tlalpan 2 plant in the Valley of Mexico Territory.

As part of our objective to rationalize bottling capacity, we closed four plants in the Mexican Territories during 2000 and 2001. We have compensated for the installed capacity of the closed plants by increasing production at our other bottling facilities in the Mexican Territories. In November 2001, we completed the second phase of our project to increase the installed capacity of our Toluca plant. The total installed annual capacity of this facility totals approximately 208 million unit cases.

As of December 31, 2001, we owned 13 and rented 2 large distribution centers in the Valley of Mexico Territory and owned 21 and rented 20 large distribution centers in the Southeast Territory.

Argentine Operations. As of December 31, 2001, we owned one bottling plant in the Buenos Aires Territory with a total installed annual capacity of 207 million unit cases and a capacity utilization of 61%.

As of December 31, 2001, we owned and operated 7 bottling lines and 3 distribution centers and rented one large distribution center in the Buenos Aires Territory. We closed our rented distribution center, Pilar, in March 2002.

Production Facility Summary
As of December 31, 2001

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

[1] Closed in May 2001.

SIGNIFICANT SUBSIDIARIES

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2001.

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

Item 5. Operating and Financial Review and Prospects

General

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

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

Beginning January 1, 2000, we adopted the new procedures for the recognition of deferred income taxes as prescribed by the recently revised Bulletin D-4, "Accounting for Income Taxes, Tax on Assets and Employee Profit Sharing," as issued by the Mexican Institute of Public Accountants. Similarly, beginning January 1, 2001, we adopted the new procedures for the recognition of all financial instruments as prescribed by Bulletin C-2, "Financial Instruments." See Notes 4 n) and 4 p) to the Consolidated Financial Statements.

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

Our results of operations continue to be affected by economic conditions in Mexico and Argentina. In periods of slow economic growth and high inflation, demand for soft drinks tends to be adversely affected, decreasing our sales volumes. In addition, devaluation of the peso, such as occurred in Argentina in 2001, results in exchange losses on our foreign-currency denominated indebtedness, increasing our financing costs. See "Item 3. Key Information—Risk Factors."

In 2001, the Mexican economy contracted by 0.1% as measured by GDP while the Argentine economy deteriorated into a 4.5% recession. In spite of the slowdown in the Mexican economy and the weakened Argentine economy, we enjoyed increased sales volume in both territories, principally as a result of (i) channel marketing initiatives, (ii) multi-segmentation programs, (iii) price/revenue management, and (iv) the introduction of new products/packages. Given the 2001 economic crisis in Argentina, the devaluation of the Argentine peso, and the ensuing uncertainty over its appropriate value, we recognized a loss in 2001 against our original investment in Argentina. See "Item 5. Results of Operations for the Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000—Impact of the Devaluation of the Argentine Peso Against the U.S. Dollar." We can make no assurances that economic conditions in Mexico and Argentina will not have adverse effects on our financial condition and results of operations. See "Item 3. Key Information—Risk Factors."

Use of Estimates in Critical Accounting Policies

In preparing our financial statements, we make estimates concerning a variety of matters. Some of these matters are highly uncertain, and our estimates involve judgments made based on the information available to us, including historical experience. We believe these judgments to be reasonable and reevaluate them on an on-going basis. Our actual results may differ from these estimates under different assumptions or conditions. See Notes 3 and 4 to our consolidated financial statements for a description of our significant accounting policies.

We have identified several of these matters in the discussion below for which our financial presentation would be materially affected if either (a) we used different estimates that we could reasonably have used or (b) in the future we change our estimates in response to changes that are reasonably likely to occur.

Revenue recognition. We recognize revenues when title transfers or services are rendered to customers. We consider the title transferred when products shipped to independent wholesalers and/or retail customers.

Allowance for doubtful accounts. We determine our allowance for doubtful accounts based on an evaluation of the aging of our receivables portfolio. The reserve contemplates our historical loss rate on receivables and the economic environment in which we operate. We generally realize our sales in cash.

Property, plant and equipment. Property, plant and equipment are depreciated over their useful lives. The estimated useful life of such assets represents the period that they remain in service and generate revenues. We base our estimations on independent appraisals and the experience of our technical personnel.

We describe the methodology used to restate imported equipment in Note 4 f) to our consolidated financial statements. We believe that applying the exchange and inflation rates of the country of origin utilized under Mexican GAAP more accurately presents the fair value of the assets than restated cost determined by applying inflation factors derived from the NCPI.

Bottles and cases. We classify bottles and cases as fixed assets, in accordance with industry practices. Breakage is accounted for as an expense when it is incurred, and returnable bottles and cases are not depreciated. We determine the depreciation of bottles and cases only for tax purposes.

Periodically, we compare the book breakage expense with calculated depreciation expense by estimating a useful life of five years for returnable glass bottles, one year for returnable plastic bottles and four years for returnable cases. Such periods are determined in accordance with our business experience. Through 2001, the annual calculated depreciation expense has been similar to the annual book breakage expense. Additionally, when we discontinue a particular presentation, we write off the presentation through an increase in breakage expense.

Valuation of goodwill and long-lived assets. As we discuss in Note 4 j) to our consolidated financial statements, goodwill is the total difference between the price paid and book value (substantially equal to fair value as a result of restatement for the effects of inflation under Mexican GAAP) of the stock and or net assets acquired. This difference is amortized over a period of twenty years and is recorded in the currency used to make the investment, as the investment will normally be recovered in such currency. We calculate the restatement by applying the inflation rate of the country of origin, then translating it into Mexican pesos at the year-end exchange rate.

We continually review the carrying value of our goodwill and long-lived assets for recoverability. We conduct an impairment review whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable based on our projections of anticipated future cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations.

U.S. GAAP requires applying SFAS No. 142, "Goodwill and Other Intangible Assets," beginning in 2002. Under this standard, goodwill will no longer be amortized, but instead will be subject to an initial impairment review in 2002 and an annual impairment review thereafter. Our initial impairment review indicates that no impairment charge is required as of the beginning of 2002.

Income taxes. We recognized deferred tax assets and liabilities based on the differences between carrying amounts recorded in our financial statements and the tax bases of assets and liabilities. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. If these estimates and related assumptions change in the future, we may be required to record additional valuation allowances against deferred tax assets resulting in additional income tax expense.

Beginning in 2003, the statutory income tax rate in Mexico will decrease one percentage point per year until 2005, when the rate will be 32%. In accordance with this tax rate reduction, we decided in December 2001 to recognize a reduction under Mexican GAAP in deferred income tax liabilities and in income tax provision for the year of Ps.24.5 million, based on the expected dates of reversal of the temporary differences. Depreciation of fixed assets represents the most important temporary difference that will be reversed in the future years at a lower rate. Under U.S. GAAP, the change in the statutory tax rate will not be considered until its enactment on January 1, 2002.

Labor liabilities. Our labor liabilities include pension plans and seniority premiums. Determining our obligations and expenses for pensions depends on certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 13 to the consolidated financial statements and include, among others, the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation costs. In accordance with Mexican and U.S. GAAP, actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expenses and recorded obligations in such future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligations and our future expenses.

Incorporation of foreign subsidiaries. We describe the methodology used to incorporate foreign subsidiaries in Note 3 to the consolidated financial statements. As a result of uncertainty with regard to the value of the Argentine peso, we adopted the conclusions of the International Practices Task Force of the AICPA in connection with all transactions occurring after the currency market closed in early December. These recommendations indicated that such transactions should be translated at the "first subsequent rate" applicable for that kind of transaction. The first subsequent rate applicable of A$1.70 per U.S. dollar was available on January 11, 2002. Additionally, we calculated the restatement of foreign-origin fixed assets owned by Coca-Cola FEMSA de Buenos Aires using the controlled exchange rate of A$1.40 per U.S. dollar.

We incorporated the income statement at the weighted average exchange rate of A$1.03 per U.S. dollar, or Ps.8.891 per Argentine peso, considering that transactions effected through November 30, 2001 were carried out in the normal course of business and the consequences of the currency and foreign exchange measures adopted by the Argentine government in December 2001 affected our financial statements beginning in December 2001 and thereafter. See "Item 3. Key Information—Selected Financial Data."

Results of Operations

The following table sets forth our consolidated income statement for the years ended December 31, 2001, 2000, and 1999:

	Year ended December 31,			
	2001	2001	2000	1999
	(millions of U.S. dollars or constant Mexican pesos at December 31, 2001)			
Revenues:				
Net sales	$ 1,888.2	Ps. 17,334.1	Ps. 16,714.9	Ps. 15,278.2
Other operating revenues	18.5	169.8	81.6	53.8
Total revenues	1,906.7	17,503.9	16,856.5	15,332.0
Cost of sales	899.3	8,255.5	8,324.1	8,059.7
Gross profit	1,007.4	9,248.3	8,532.4	7,272.3
Operating expenses:				
Administrative	142.0	1,304.0	1,329.0	1,120.3
Selling	439.8	4,037.0	4,048.7	3,754.2
Total operating expenses	581.8	5,340.9	5,377.7	4,874.5
Goodwill amortization	12.1	111.2	118.2	126.8
Income from operations	413.5	3,796.3	3,036.5	2,271.0
Integral cost of financing[1]				
Interest expense	34.3	314.5	350.0	466.5
Interest income	(29.7)	(272.4)	(132.5)	(78.1)
Foreign exchange (gain) loss, net	(7.5)	(69.0)	357.8	37.9
Loss (gain) from monetary position	8.3	76.6	(6.4)	(104.1)
Total integral cost of financing	5.4	49.7	568.9	322.3
Other expenses, net	6.4	59.1	134.4	73.1
Income for the year before income tax, asset tax, employee profit sharing and change in accounting principle	401.7	3,687.5	2,333.2	1,875.7
Income tax, asset tax and employee profit sharing	154.3	1,416.2	1,003.8	815.2
Change in accounting principle	3.0	27.4	–	–
Net income	$ 244.4	Ps. 2,243.9	Ps. 1,329.4	Ps. 1,060.5

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[1] The loss (gain) on monetary position resulting from the liabilities incurred in connection with our purchase of shares of Coca-Cola FEMSA de Buenos Aires was computed using the inflation rate of Argentina, as the liability was considered to be an integral part of the investment in the foreign subsidiary. In addition, the foreign exchange loss generated by the liability was recorded directly in stockholders' equity. See Note 3 to the Consolidated Financial Statements.

Results of Operations for the Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000

	Year ended December 31,			
	2001	2000	2001	2000
	Mexican Territories		Buenos Aires Territory	
	(millions of constant Mexican pesos at December 31, 2001)			
Revenues:				
Net sales	Ps. 14,302.6	Ps. 13,649.9	Ps. 3,031.5	Ps. 3,125.0
Other operating revenues	59.4	47.3	110.4	34.3
Total revenues	14,362.0	13,697.2	3,141.9	3,159.3
Cost of sales	6,503.4	6,506.2	1,752.1	1,817.9
Gross profit	7,858.6	7,191.0	1,389.7	1,341.4
Operating expenses:				
Administrative	1,142.5	1,150.9	161.5	178.1
Selling	3,086.3	3,144.3	950.7	904.4
Total operating expenses	4,228.8	4,295.2	1,112.1	1,082.5
Goodwill amortization	7.4	7.4	103.8	110.8
Income from operations	Ps. 3,622.4	Ps. 2,888.4	Ps. 173.9	Ps. 148.1

Sales Volume. Sales volume in the Mexican Territories grew by 3.6% to 477.9 million unit cases during 2001, representing 78.6% of our total sales volume. As compared to the previous year, 2001 sales volume increased by 2.4% for colas and 4.2% for flavored soft drinks. Sales volume of *Ciel* still water in the same period increased by 31.0% to 14.9 million unit cases.

The 3.6% sales volume growth in the Mexican Territories was the result of new product launches such as *Senzao, Ciel Mineralizada* (sparkling water), and *POWERADE HYDRO*, and packagings such as the new eight-ounce non-returnable glass presentation for *Coca-Cola* and the 250-milliliter PET non-returnable presentation for *Fanta, Lift,* and *Delaware Punch*.

Notwithstanding the adverse economic conditions in Argentina, sales volume increased by 6.9% as a result of its stronger brand portfolio. The launch of *Schweppes Ginger Ale, Citrus* and *Tonic, Hi-C Orange* and *Apple, Kin Soda, Crush,* and *Taí*, and the growth of *Coca-Cola light*, which resulted in 34.4% growth in flavors, contributed to increase in sales volume. Total cola sales decreased slightly by 1.5%.

The packaging trend in the soft drink industry has moved toward non-returnable presentations in recent years. In total, these presentations (including cans and post-mix) represented 59.4% of our aggregate soft drink sales in the Mexican Territories during 2001, as compared to 55.7% in 2000. The use of non-returnable packages continued to increase in the Southeast Territory in conformity with this trend, growing from 49.1% of total sales to 54.8% in 2001. We believe that our revenue management and our product and package segmentation strategies will protect the smaller retailers that represent the largest share of the distribution channel in Mexico and will maintain a barrier to entry for non-branded products by supporting the use of returnable packages.

In the Buenos Aires Territory, non-returnable presentations represented 94.2% of our total soft drink sales during 2001, as compared to 90.2% in 2000.

Net Sales. Net sales grew by 4.8% in the Mexican Territories. During 2001, we received a 1.1% real price increase due to a change in the product and packaging mix.

In Argentina, average real price per unit decreased by 9.0% in 2001, a result of consumer migration to lower-price brands and larger presentations with a lower price per ounce. Although sales volume increased by 6.9%, lower average price per unit case offset this increase, resulting in a 3.0% reduction in net sales during 2001.

Other Operating Revenues. Other operating revenues increased from Ps.81.6 million in 2000 to Ps.169.8 in 2001. The growth of these revenues mainly reflected the toll bottling contracts that we have with other bottlers of the Coca-Cola System in Argentina.

Cost of Sales. The components of cost of sales include spending for raw materials (principally sweeteners, soft drink concentrate, packaging materials and water), depreciation expenses attributable to our production facilities, wages and other employment expenses associated with the production labor force, and certain overhead expenses. 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. See "Item 4. Information on the Company—The Company—Raw Materials."

As a percentage of net sales, consolidated cost of sales decreased by 2 percentage points over 2000 as a result of (i) higher fixed-cost absorption driven by sales volume growth, (ii) lower unit price of certain raw materials due to the appreciation of the Mexican peso over the U.S. dollar, and (iii) fixed-cost reductions resulting from the closing of one plant and two distribution facilities in the Valley of Mexico during 2001 and three plants in Mexico during 2000.

In Buenos Aires, cost of sales as a percentage of net sales decreased by 0.4 percentage points, mainly due to fixed-cost reductions resulting from productivity and efficiency initiatives and the closing of the San Justo plant in 2000 and the Roca distribution center in 2001.

Operating Expenses. Consolidated operating expenses decreased by 0.7% to Ps.5.34 billion in 2001 from Ps.5.38 billion in 2000. This slight abatement resulted from a decline of 0.3% and 1.9% in selling and administrative costs, respectively.

As a percentage of total revenues, selling and administrative expenses decreased in Mexico by 1.5 percentage points and 0.4 percentage points, respectively, reflecting an increase in sales volumes, a decrease in distribution costs, and lower bottle and case breakage costs due to a higher non-returnable volume mix.

In Argentina, selling expenses as a percentage of total revenues increased by 1.6 percentage points, representing a 5.1% increase in absolute terms resulting from higher marketing costs. Administrative expenses in Argentina decreased 0.5 percentage points, representing a decrease of 9.0% in absolute terms due to savings achieved from headcount optimization and the implementation of a seasonal labor program.

Goodwill. Goodwill amortization in 2001 totaled Ps.111.2 million, as compared to Ps.118.2 million in 2000, a reduction of 5.9%. This decrease occurred as a consequence of the effect of Mexican inflation on goodwill associated with the 1994 acquisition of Coca-Cola FEMSA de Buenos Aires when restated in 2001 Mexican pesos.

Operating Income. Consolidated income from operations after goodwill amortization grew by 25% to Ps.3.80 billion in 2001. Lower cost of sales per average unit case and a slight decline in operating expenses effected a 3.7 percentage points increase in operating income as a percentage of total revenues.

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

The integral cost of financing decreased by 91.3%, from Ps.568.9 million in 2000 to Ps.49.7 million in 2001. The following factors contributed to the net decrease:

- Net interest expense in 2001 declined by 81% as compared to 2000, due to higher cash holdings as well as the appreciation of the Mexican peso against the U.S. dollar. The majority of our interest expenses are denominated in U.S. dollars.
- Monetary position shifted from a gain of Ps.6.4 million in 2000 to a loss of Ps.76.6 million in 2001, a result of the Mexican inflation adjustments applied to the net monetary assets of our Mexican operations and the Argentine deflation adjustments applied to the net monetary liabilities of our Argentine operations.
- Foreign exchange gain totaled Ps.69.0 million during 2001. This increase reflected the effect of the depreciation of the Argentine peso against the U.S. dollar as applied to our U.S. dollar-denominated asset position (consisting principally of cash) in Buenos Aires, which offset the loss generated by the appreciation of the Mexican peso against the U.S. dollar as applied to the dollar-denominated cash position of Coca-Cola FEMSA in Mexico. We applied an exchange rate of A$1.70 per U.S. dollar for the period ending December 31, 2001. See "—Impact of Devaluation of the Argentine Peso Against the U.S. Dollar."

Other Expenses. Other expenses are primarily related to production and distribution rationalization efforts and headcount optimization. This category of expenses decreased from Ps.134.4 million in 2000 to Ps.59.1 million in 2001.

Income Tax, Asset Tax and Employee Profit Sharing. Income tax, tax on assets, and employee profit sharing increased by 41.1%, from Ps.1,003.8 million in 2000 to Ps.1,416.1 million in 2001. Our consolidated effective income tax, tax on assets, and employee profit sharing rate decreased from 43.0% in 2000 to 38.4% in 2001, mainly due to the inclusion of deferred taxes resulting from the changes to the Mexican Income Tax Law, which will gradually lower the tax rate from 35% in 2002 to 32% in 2005.

Net Income. Net income for 2001 increased by 68.8% to Ps.2.244 billion from Ps.1.329 billion in 2000. This gain resulted principally from a 25.0% increase in operating income and a decrease of 91.3% in the integral cost of financing.

Impact of the Devaluation of the Argentine Peso Against the U.S. Dollar. In December 2001, the Argentine government implemented several economic measures that restricted cash withdrawals from local bank deposits. Specifically, the government curtailed financial transactions denominated in foreign currencies from December 21, 2001 to January 11, 2002. After this period, the government implemented a dual foreign exchange rate mechanism whereby a controlled exchange rate set at A$1.40 per U.S. dollar for specific import/export related transactions coexisted with a free-floating exchange rate determined by demand and supply for local transactions.

Given the economic crisis in Argentina and the uncertainty over the appropriate value of the Argentine peso, we recognized a loss generated by the devaluation of the Argentine peso versus the U.S. dollar against our original investment in Argentina.

We calculated the income statement by using an exchange rate of one Argentine pesos per U.S. dollar for the first eleven months of 2001. For the month of December 2001, we used an exchange rate of A$1.70 per U.S. dollar, the exchange rate available in the open market. This method resulted in a weighted average exchange rate of 8.891 Mexican pesos per Argentine peso (or A$1.03 per U.S. dollar) for the year.

We reflected the impact of the devaluation of the Argentine peso on our balance sheet by restating our foreign currency-denominated fixed assets in Argentina at the controlled exchange rate of A$1.40 per U.S. dollar and our foreign currency-denominated liabilities in Argentina at the free-floating exchange rate of A$1.70 per U.S. dollar.

Following Mexican GAAP, the loss generated by the devaluation of the Argentine peso, which amounted to Ps.843.6 million, was applied against our shareholder's equity. In order to present comparative figures for previous

years and in accordance with accounting guidelines mandating the restatement, under these circumstances, of the financial results of foreign subsidiaries in past years, we used the NCPI and the foreign exchange rates at the close of the fiscal year to restate previous years' balance sheets (A$1.70 per U.S. dollar) and the weighted average exchange rate to restate income statement items (A$1.03 per U.S. dollar).

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

	Year ended December 31,			
	2000	1999	2000	1999
	Mexican Territories		Buenos Aires Territory	
	(millions of constant Mexican pesos at December 31, 2001)			
Revenues:				
Net sales	Ps. 13,649.9	Ps. 11,880.1	Ps. 3,125.0	Ps. 3,398.1
Other operating revenues	47.3	30.0	34.3	23.8
Total revenues	13,697.2	11,910.1	3,159.3	3,421.9
Cost of sales	6,506.2	6,097.7	1,817.9	1,962.0
Gross profit	7,191.0	5,812.4	1,341.4	1,459.9
Operating expenses:				
Administrative	1,150.9	935.6	178.1	184.7
Selling	3,144.3	2,787.2	904.4	967.0
Total operating expenses	4,295.2	3,722.8	1,082.5	1,151.7
Goodwill amortization	7.4	7.4	110.8	119.4
Income from operations	Ps. 2,888.4	Ps. 2,082.2	Ps. 148.1	Ps. 188.8

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

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

In Argentina, sales volume decreased by 3.6% to 121.5 million unit cases in 2000. Sales volume during 2000 in the Buenos Aires Territory in colas decreased by 3.9% and flavored soft drinks by 2.4%, in each case as compared to 1999.

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

In the Buenos Aires Territory, 90.2% of our total soft drink sales in 2000 were in non-returnable presentations (including post-mix), as compared to 89.7% in 1999.

Net Sales. Net sales growth of 14.9% in the Mexican Territories was due to the combination of strong volume growth and our pricing strategy, which focused on market segmentation and product price elasticity. At year end 2000, we recorded a 4.3% real price increase.

In Argentina, average real price per unit case decreased by 4.9% in 2000 as consumers traded down for low-price non-branded soft drinks and larger presentations (with a lower price per ounce). At the same time, no significant corresponding increase in sales volume has fully offset the resulting decline in unit case revenue. The decrease in sales volume and the lower average pricing resulted in an 8.0% reduction in net sales in 2000. In response to the highly competitive environment and in order to counteract the effects of price discounting, we designed a brand portfolio strategy defined by socioeconomic segments to better target our consumers in the Buenos Aires Territory. During the second half of 2000, for example, we introduced *Taí*, a low-price brand, in a 2.25-liter presentation to compete within the low-price non-branded soft drink category. This launch has been one of the principal factors for the growth in our Argentine sales volume during 2001.

Other Operating Revenues. Other operating revenues increased from Ps.53.8 million in 1999 to Ps.81.6 million in 2000. The growth of these revenues mainly reflected the toll bottling contracts that we have with other bottlers of the Coca-Cola system in Argentina and the increased sales of certain raw materials to third parties within the Mexican Territories.

Cost of Sales. The components of cost of sales include raw materials (principally sweeteners, soft drink concentrate, packaging materials, and water), depreciation expenses attributable to our production facilities, wages and other employment expenses associated with the production labor force, and certain overhead expenses. Concentrate prices for Coca-Cola trademark beverages, which are payable in local currency, are determined as a percentage of the wholesale price net of any value-added or similar taxes payable by us. See "Item 4. Information on the Company—The Company—Raw Materials."

As a percentage of net sales, cost of sales decreased by 3.1 percentage points over 1999. In Mexico, we benefited from improved volumes, leading to greater fixed-cost absorption and lower sweetener costs. In addition, with a relatively stable peso depreciation of only 1.2% and Mexican inflation of 9.1%, the cost of our dollar-denominated raw materials decreased slightly in real peso terms.

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

Operating Expenses. Consolidated operating expenses increased by 10.3% to Ps.5.378 billion in 2000 from Ps.4.875 billion in 1999. The increase was the result of an increase in 2000 of 7.8% in selling expenses and an 18.6% increase in administrative expenses.

As a percentage of total revenues, selling and administrative expenses increased slightly, by 0.1 percentage points. Selling expenses as a percentage of total revenues in the Mexican Territories increased by 0.5 percentage points. The increases of selling expenses in the Mexican Territories were primarily due to increased variable compensation, increased maintenance and increased non-cash expenses related to our capacity rationalization. Administrative expenses for the Mexican operations increased by 23.0%, reflecting higher real wages in both operating and corporate areas.

In Argentina, selling expenses as a percentage of total revenues increased by 0.37 percentage points, representing a 6.5% decrease in absolute terms. Administrative expenses in Argentina decreased by 3.6%. The decrease in both selling and administrative expenses resulted primarily from our efforts further to lower fixed costs in the challenging and deteriorating economic environment of Argentina during this period.

Goodwill. Goodwill amortization for 2000 was Ps.118.2 million, as compared to Ps.126.8 million for 1999, reflecting a 6.8% reduction. The primary reason for the reduction was the effect of Mexican inflation on goodwill associated with the 1994 acquisition of Coca-Cola FEMSA de Buenos Aires when restated in 2001 Mexican pesos.

Operating Income. Consolidated income from operations after amortization of goodwill grew by 33.7% to Ps.3.037 billion in 2000. With lower cost of sales per unit and a slight increase in operating expenses, we saw a 3.1 percentage point improvement in profitability as measured by operating income as a percentage of total revenues.

Integral Cost of Financing. The combined financial effects of the following factors contributed to a net increase of 76.5% in the integral cost of financing, from Ps.322.3 million in 1999 to Ps.568.9 million in 2000.

- Net interest expense decreased by 44.0% primarily due to lower interest costs, which resulted from paying down our debt in 1999, and interest income earned from higher cash balances.
- The gain on monetary position decreased from Ps.104.1 million in 1999 to Ps.6.4 million in 2000. The change was due to higher accounts payable in Mexico throughout the year, considerably lower Mexican inflation, and deflation recorded in Argentina.
- Notwithstanding the strength of the Mexican peso throughout 2000 (depreciating only by 1.2%), we recorded a U.S. $39 million foreign exchange loss. This loss was due to losses we experienced on an investment in dollar-forward contracts. In May 1999, in anticipation of the Mexican presidential election of 2000, we invested in dollar-forward contracts to hedge our 2000 foreign exchange exposure (presented primarily by dollar-denominated packaging requirements and interest payments for the year). Through these contracts, we insulated our company from the foreign exchange risk associated with an election year in Mexico by locking in our dollar-denominated costs. The unexpected strength of the peso during 2000 resulted in losses taken on those contracts. See "Item 3. Key Information—Risk Factors—Risks Related to Mexico."

Other Expenses. Other expenses reached Ps.134.4 million in 2000 as compared to Ps.73.1 million in 1999. Other expenses rose primarily due to our continued efforts to rationalize our operations and reduce our headcount at the operating and corporate levels. Other expenses in 2000 also included one-time charges totaling approximately Ps.54.3 million to the *Instituto Mexicano del Seguro Social* (Mexican Social Security Institute) related to employee benefits.

Income Tax, Assets Tax and Employee Profit Sharing. Income tax, tax on assets and employee profit sharing increased 23.1 % from Ps.815.2 million in 1999 to Ps.1.004 billion in 2000. Our consolidated effective income tax, tax on assets and employee profit sharing rate decreased from 43.5% in 1999 to 43.0% in 2000. In 2000, Bulletin D-4 became effective for the accounting of income and asset taxes, which required the recognition of the deferred effect of those items. See "—Future Impact of Recently Issued Accounting Standards."

Net Income. Net income for 2000 increased 25.4% to Ps.1.329 billion from Ps.1.061 billion in 1999. The increase was driven by the 33.7% increase in operating income and was only partially offset by the 76.5% increase in the integral cost of financing.

Liquidity and Capital Resources

Liquidity. The principal source of our liquidity is cash generated from operations and borrowings. We have traditionally been able to rely on cash generated from operations because a significant majority of our sales are on a cash or short-term credit basis. Our principal use of cash is for capital expenditure programs, debt servicing and dividend payments.

Principal Uses of Cash
Year ended December 31,
(millions of constant pesos at December 31, 2001)

	2001	2000	1999
Net resources generated by operations	Ps. 3,415	Ps. 2,527	Ps. 2,910
Net resources used in investing activities[1]	(789)	(884)	(907)
Bank loans, notes and interest payable	(24)	15	(1,018)
Dividends declared and paid	(302)	(246)	(199)

[1] Includes property, plant and equipment plus deferred charges and investment in shares.

At December 31, 2001, we had unused, uncommitted, U.S. dollar-denominated lines of credit of Ps.3,140 million. We believe that internal resources and our access to credit facilities will be adequate to meet currently expected working capital needs and to meet our capital expenditure demands in 2002.

Contractual Obligations

The following table sets forth our significant long-term contractual obligations as of December 31, 2001:

Contractual Obligations
As of December 31, 2001
amounts in millions

	Long-Term Debt	Operating Leasing Commitments denominated in U.S. dollars	
		U.S. dollars	Mexican pesos
2002	Ps. 14.0	$ 0.7	Ps. 6.2
2003	8.2	0.7	6.2
2004	926.2	0.7	6.2
2005	6.2	0.7	6.2
2006	1,842.2	0.7	6.2
2007 and thereafter	7.7	0.8	7.6

As of December 31, 2001, we had total consolidated indebtedness of approximately Ps.2,804 million, none of which was due in one year or less and Ps.2,804 million of which was long-term debt. As of December 31, 2000 and 2001, our consolidated cost of borrowing was approximately 9.1%. As of December 31, 2001, 100% of our indebtedness was denominated and payable in U.S. dollars.

Our current financing policy is to rely primarily on internally generated resources to fund existing operations and capital expenditures while relying on external resources to finance the acquisition of new bottling territories. Our indebtedness is primarily related to:

- the acquisition of a 51% interest in the Buenos Aires Territory from The Coca-Cola Company, for which we borrowed approximately Ps.918 million under a ten-year private placement in 1994, and

- a Ps.1,836 million ten-year Yankee bond issued in October 1996, the proceeds of which were primarily used to repay short-term indebtedness incurred to increase our interest in Coca-Cola

FEMSA de Buenos Aires to 75% and to fund the purchase of certain corporate assets of an Argentine Coca-Cola bottler, SIRSA, including inventory and the assignment of certain commercial contracts.

Capital Expenditures

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

	Year ended December 31,		
	2001	2000	1999
	(millions of constant pesos at December 31, 2001)		
Mexican Territories			
Plants and distribution	Ps. 485.5	Ps. 477.8	Ps. 538.6
Bottles	160.7	202.5	191.7
Deferred charges and other investments	233.6	152.3	134.5
Total	Ps. 879.8	Ps. 832.7	Ps. 864.7
Buenos Aires Territory			
Plants and distribution	Ps. 53.6	Ps. 44.3	Ps. 46.0
Bottles	4	13.3	11.1
Deferred charges and other investments	(25.9)	(0.8)	8.0
Total	Ps. 31.7	Ps. 56.7	Ps. 65.1
Total Coca-Cola FEMSA	Ps. 911.5	Ps. 889.4	Ps. 929.9

Our capital expenditures in 2001 focused on increasing operating efficiencies, launching the second phase of our project to increase the installed capacity of the Toluca plant, improving the efficiency of our distribution infrastructure, advancing information technology, placing refrigeration equipment and acquiring the Sabino Plant, which will be integrated into one of our current operations. Through these measures, we expect to improve our profit margins and overall profitability.

Our business plan for 2002 calls for investments totaling approximately Ps.855 million (including investments in bottles and cases and deferred charges) with approximately Ps.760 million and Ps.95 million budgeted for our Mexican and Buenos Aires Territories, respectively. Our projected capital expenditures in 2002 include:

- Replacement of older distribution vehicles and expansion of the distribution fleet;
- Market investments (such as the placement of refrigeration equipment, vending machines and post-mix dispenser equipment in the market);
- Replacement and upgrading of manufacturing equipment in our production facilities;
- Purchases of returnable bottles and adjustments to the existing production lines in Argentina to accommodate returnable presentations; and
- Investments in information systems.

We believe that internally generated funds and borrowing from third-party sources, if needed, will be sufficient to meet our capital expenditure and working capital requirements for 2002. However, we may seek debt or equity financing from the international capital markets in connection with any possible acquisition by us of Coca-Cola bottler operations. Our capital expenditure plan for 2002 is subject to change based on market and other conditions and our results of operations and financial resources.

Historically, The Coca-Cola Company has contributed to our capital expenditure program. We utilize these contributions in our marketing programs and other volume driving initiatives that promote volume growth of Coca-Cola trademark beverages. Such payments may result in a reduction in our selling expenditures. Contributions by The Coca-Cola Company are made on a discretionary basis. Although we believe that The

Coca-Cola Company will make additional contributions in the future to assist our capital expenditure program, we can give no assurance that any such contributions will be made.

Plan for the Disposal of Certain Fixed Assets

We have an approved program for the disposal of certain fixed assets that are either not considered strategic to the our future operations or that are not in use. These assets will be sold as soon as an acceptable sales price can be negotiated. Since 1998, we have closed certain production facilities as part of a production capacity rationalization program that involves the closing of plants and the expansion of existing plants and as a consequence of the shift in the mix of products towards non-returnable PET presentations. We reinstalled part of the production equipment of these plants in other facilities we own, and we wrote off the remainder. The land and the buildings of the facilities that were shut down were included in the plan for the disposal of our fixed assets. We identified Ps.25 million of fixed assets for disposition in 2001, as compared to Ps.21 million in 2000. We do not expect the disposal of such assets to have a material impact on results of operations, future capital expenditures or future cash flows.

U.S. GAAP Reconciliation

Under U.S. GAAP, we had approximate net income of Ps.2,176.5 million in 2001, Ps.1,460.1 million in 2000 and Ps.1,113.5 million in 1999. Net income as reconciled to U.S. GAAP was lower than net income as reported under Mexican GAAP by Ps.67.5 million in 2001 and higher by Ps.130.7 million in 2000 and by Ps.53.0 million in 1999.

Shareholders' equity under U.S. GAAP was Ps.7,468.6 million in 2001, Ps.6,770.6 million in 2000 and Ps.5,752.2 million in 1999. Compared to Mexican GAAP, shareholders' equity under U.S. GAAP was Ps.6.0 million lower in 2001 and Ps.1,608.0 million and Ps.685.2 million higher in 2000 and 1999, respectively.

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

- Financial instruments
- Deferred income taxes;
- Deferred employee profit sharing;
- Capitalization of interest expense;
- Restatement of machinery and equipment; and
- Labor liabilities.

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

Item 6. Directors, Senior Management and Employees

Directors

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

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

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

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

As of March 12, 2002, our current board of directors included the following members (including alternate directors):

Directors	Current Position	Born	First Elected	Term Expires	Alternate
Series "A"					
José Antonio Fernández Carbajal(1)	Chief Executive Officer, Fomento Económico Mexicano, S.A. de C.V.	February, 1954	1993	2003	Alfredo Livas Cantú
Alfonso Garza Garza(2)	General Director, Grafo Regia, S.A. de C.V.	July, 1962	1996	2003	Mariana Garza Gonda
Juan Carlos Braniff Hierro(1)	Vice Chairman of the Board, Grupo Financiero BBVA Bancomer, S.A. de C.V.	April, 1957	1993	2003	Francisco J. Fernández Carbajal
Carlos Salazar Lomelín	Chief Executive Officer, Coca-Cola FEMSA, S.A. de C.V.	April, 1951	2000	2003	Ricardo Gonzáles Sada
Ricardo Guajardo Touché	Chairman of the Board, Grupo Financiero BBVA Bancomer, S.A. de C.V.	May, 1948	1993	2003	Max Michel Suberville
Alfredo Martínez Urdal	Chief Executive Officer, FEMSA Cerveza	September, 1931	1993	2003	Gerardo Estrada Attolini
Federico Reyes García	Executive Vice President, Planning and Finance of	September, 1945	1993	2003	Alejandro Bailleres Gual

Directors	Current Position	Born	First Elected	Term Expires	Alternate
	Fomento Económico Mexicano, S.A. de C.V.				
Eduardo Padilla Silva	Chief Executive Officer, FEMSA's Strategic Business Division	January, 1955	1997	2003	José Calderón Rojas
Armando Garza Sada[(2)]	General Director, Versax, S.A. de C.V.	June, 1957	1998	2003	Francisco Garza Zambrano
Daniel Servitje Montul	Chief Executive Officer, Grupo Industrial Bimbo, S.A. de C.V.	April, 1959	1998	2003	Fernando Pardo Ramírez
Herbert Allen III	Investment Banker, Allen & Company Inc. New York, NY	June, 1967	2000	2003	Guillermo Chávez Eckstein
Series "D"					
Jeffrey T. Dunn	President and Chief Operating Officer, Coca-Cola Americas; Executive Vice President, The Coca-Cola Company	April, 1957	2001	2003	Patricia Powell
Steven J. Heyer	President and Chief Operating Officer of Coca-Cola Ventures	June, 1952	2002	2003	David Taggart
Charles H. McTier	President, Robert W. Woodruff Foundation, Inc.	January, 1939	1998	2003	Larry Cowart
Eva Garza Gonda de Fernández[(3)]	President, Alternativas Pacíficas, A.C.	February, 1964	2002	2003	Gary Fayard
Series "L"					
Alexis E. Rovzar de la Torre	Executive Partner, White & Case S.C.	July, 1951	1993	2003	Arturo Estrada Treanor

(1) Son-in-law of Eugenio Garza Lagüera.
(2) Nephew of Eugenio Garza Lagüera.
(3) Daughter of Eugenio Garza Lagüera, wife of José Antonio Fernández Carbajal.

Eugenio Garza Lagüera is the Honorary (Non-Voting) Life Chairman of our board of directors. The Secretary of the board is Carlos Eduardo Aldrete Ancira and the Alternate Secretary of the board is David González Vessi.

Board Committees

Our board of directors has the following committees:

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

2. *Audit Committee*, which consists of Alexis E. Rovzar de la Torre, Chairman, Alfonso Garza Garza, Charles H. McTier and Herbert Allen III. This committee recommends to our board of directors

candidates to serve as our external examiners, ensures the independence and objectivity of the external examiners, and recommends to our board of directors procedures for the preparation of financial information.

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

Examiners

We currently have two examiners, one elected by the Series A shareholders and one by the Series D shareholders, and two alternate examiners, one elected by the Series A shareholders and one by the Series D shareholders. Mexican law requires that the examiners receive monthly reports from our board of directors regarding material aspects of our affairs, including our financial condition. The primary role of the examiners is to report to our shareholders at the annual ordinary shareholders' meeting on the accuracy of the financial information presented to such examiners by the board of directors. Our Series A Examiner is José Manuel Canal Hernando, and our Series D Examiner is Fausto Sandoval Amaya. Our Alternate Series A Examiner is Ernesto González Dávila, and our Alternate Series D Examiner is Humberto Ortíz Gutiérrez.

Executive Officers

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

Executive Officers	Position	Born	Appointed to Current Position
Carlos Salazar Lomelín	Chief Executive Officer	April, 1951	2000
Ernesto Torres Arriaga	Vice President	July, 1936	1995
Héctor Treviño Gutiérrez	Chief Financial and Administrative Officer	August, 1956	1993
John Santa María Otazúa	Director of Strategic Planning and Business Development	August, 1957	2000
Rafael Suárez Olaguibel	Chief Operating Officer – Mexico	April, 1960	2000
Ernesto Silva Almaguer	Chief Operating Officer – Buenos Aires	March, 1953	2000
Domingo Vaccarezza[1]	Technical Director	May, 1944	1997
Eulalio Cerda Delgadillo	Human Resources Director	July, 1958	2000

[a] As of May 2002, Alejandro Duncan will replace Domingo Vaccarezza as Technical Director.

Director and Officer Biographies

Eugenio Garza Lagüera, our Honorary Life Chairman, has served on our board of directors since 1993. He also serves as Regional Advisor of Banco de México, a member of the executive committee of the National Environment for Culture and the Arts, and Honorary Life Chairman of Instituto Tecnológico de Estudios Superiores de Monterrey ("ITESM"), Grupo Financiero BBVA Bancomer, S.A. de C.V. and FEMSA. Mr. Garza Lagüera joined FEMSA in 1946 in the research department of Cervecería Cuauhtémoc. Mr. Garza Lagüera holds degrees in Chemical Engineering from the University of Texas and in Business Administration from ITESM.

José Antonio Fernández Carbajal has served as a Series A Director since 1993. He has been the Chief Executive Officer of FEMSA since 1995 and also serves as Chairman of the Board of FEMSA, Vice-Chairman of the Board of ITESM, a member of the boards of directors of Grupo Financiero BBVA Bancomer, S.A. de C.V. and Grupo

Industrial Bimbo, S.A. de C.V. He has also held directorships at FEMSA Cerveza's Commercial Division and Oxxo Retail Chain. He joined FEMSA in 1987 in the strategic planning department and has been involved in many managerial and operational aspects of FEMSA's businesses. Mr. Fernandez holds a degree in Industrial Engineering and an MBA from ITESM.

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

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

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

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

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

Federico Reyes García has served as a Series A Director since 1993. He is the Executive Vice President of Planning and Finance of FEMSA. Mr. Reyes also serves as Vice Chairman of the board of directors of Seguros Monterrey New York Life, Chairman of the Board of Review of Fianzas Monterrey, and a member of the board of directors of the Universidad de Monterrey ("UDEM"). Mr. Reyes has also served as the Director of Corporate Development of FEMSA. In addition, he acted as Director of Corporate Staff at Grupo AXA, a major manufacturer of electrical equipment, and has extensive experience in the insurance sector, serving six years as Chief Executive Officer of Seguros Monterrey and Fianzas Monterrey. Mr. Reyes holds a degree in Business and Finance from ITESM.

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

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

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

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

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

Steven J. Heyer has served as a Series D Director since 2002. He is President and Chief Operating Officer of Coca-Cola Ventures. In April 2002, he was granted additional responsibilities to oversee the company's operating units in Latin America. He joined The Coca-Cola Company in 2001 from AOL Time Warner, where he served most recently as President and COO of Turner Broadcasting System. Previously, he was President and COO of Young and Rubicam Advertising Worldwide and Senior Vice President and Managing Partner at Booz Allen & Hamilton.

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

Eva Garza Gonda de Fernández has served as a Series D Director since 2002. She is Founder and President of Alternativas Pacíficas, A.C. a non-profit organization. She serves as an advisor to Instituto Tecnológico y de Estudios Superiores de Monterrey. She holds a degree in Communication Science from ITESM.

Alexis E. Rovzar de la Torre has served as a Series L Director since 1993. He is an Executive Partner at White & Case S.C. Mr. Rovzar also serves on the boards of directors of FEMSA, Bank One (México), S.A., Grupo Industrial Bimbo, S.A. de C.V., and Royal & Sunalliance Seguros (México), S.A. He has participated in numerous

international business transactions, including joint ventures, debt to capital swaps, and many other financial projects. Mr. Rovzar holds a degree in Law from UNAM.

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

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

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

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

Ernesto Silva Almaguer has served as our Chief Operating Officer in Buenos Aires since 2000. He joined FEMSA in 1980 as Strategic Services Manager. From 1985 to 1988, Mr. Silva assisted the General Director with Special Projects and Strategic Management. From 1988 to 1994, he worked for Fábricas de Monterrey in several manufacturing positions. He has also served as Vice President of International Sales of FEMSA Empaques and as the New Business Development Director of Coca-Cola FEMSA from 1997 to 2000. Mr. Silva holds a degree in Mechanical and Administrative Engineering from ITESM and an MBA from the University of Texas at Austin.

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

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

Alejandro Duncan was appointed as our Technical Director in February 2002. He joined FEMSA in 1980, taking several responsibilities in different production and manufacturing departments. From 1995 to 1997, he served as Plant Manager in the Valley of Mexico Territory, and in September 1997, he was transferred to Buenos Aires, where he served as Manufacturing Director. In 1999, he returned to Mexico and was appointed Infrastructure Planning Director. Mr. Duncan holds a degree in Mechanical Engineering from ITESM and an MBA from the Universidad de México campus Monterrey.

Compensation of Directors and Officers

For the year ended December 31, 2001 the aggregate compensation of all of our executive officers paid or accrued in that year for services in all capacities was approximately Ps.63.0 million, of which approximately Ps.26.1 million was paid in the form of cash bonus awards. The aggregate compensation amount also includes bonuses paid to certain of our executive officers pursuant to our cash-settled option executive incentive program (as discussed below) and stock incentive plan (as discussed in "—Stock Options").

During 2000, we paid Ps.20,000 to each director for each meeting attended by such director. In 2001, we have paid Ps.30,000 to each director for each meeting attended. The aggregate compensation for directors during 2001 was Ps.2.1 million.

In 1997, we commenced an executive incentive program through which a one-time cash-settled option was granted to some of our executive officers. Under the terms of this program, the participant executive officers will be entitled to the cash payment, on the fifth anniversary of the program, of a special bonus based on the amount of increase in real terms during the preceding five years in the market value of FEMSA BD Units and Series L shares of our company, provided that no payments will be made unless the market value has doubled in real terms. The executive incentive program is administered by a trust for the benefit of the participant executive officers. In March 2002, we amended some of the terms of the program to extend the date of the program's fifth anniversary by one year. As a consequence, the term of the program will not expire until March 2003. The trust has hedged its obligations under the executive incentive program until the end of October 2002 by investing with Morgan Guaranty Trust Company of New York in cash-settled options relating to BD Units.

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

Stock Options

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

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

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

An option right is an option acquired by the administrative trust in either the New York Stock Exchange or the Mexican Stock Exchange with an executive officer's deposited special cash bonus, which shall entitle an executive officer to either: (a) acquire a certain number of FEMSA BD Units and shares of our company, at the exercise price specified in the option or (b) receive a cash payment equivalent to the amount of increase in the market value of such number of FEMSA BD Units and shares of our company, as compared to the exercise price

specified in the option. Under the terms of the stock incentive plan, the option rights shall be exercisable on the 28th day of February and the 31st day of August over each of the next five years following the date on which they were granted, at a yearly rate equivalent to up to 20% of the total number of FEMSA BD Units and shares of our company covered by each option right. If an option right is not exercised in full during a certain year, any remaining unexercised part shall be exercisable over the next year, at the specified dates. If at the time of expiration of an option right there are any remaining FEMSA BD Units and shares of our company over which no option has been exercised, the remaining part of the option will be automatically exercised as specified in (b) above and a cash payment will be made to the executive officer.

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

Share Ownership

As of May 15, 2002, certain of our directors and alternate directors serve on the Technical Committee as Trust Participants under the Irrevocable Trust No. F/29487-6 established at BBVA Bancomer, S.A., as Trustee, which is the owner of 54.3% of the voting stock of FEMSA, which in turn owns 51% of our outstanding capital stock through its subsidiary, Emprex. These directors and alternate directors include Eugenio Garza Lagüera, José Antonio Fernández Carbajal, Juan Carlos Braniff Hierro, Alfonso Garza Garza, Mariana Garza de Treviño and Eva Garza Gonda de Fernández. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders." None of our other directors, alternate directors or executive officers is the beneficial owner of more than 1% of any class of our capital stock.

Employees

As of December 31, 2001, we employed 14,542 employees, including 12,398 employees in Mexico and 2,144 employees in Argentina. The table below sets forth the number of our employees by category of employment for the periods indicated.

	For the Year Ended December 31,		
	2001[1]	2000	1999
Executives	154	143	138
Non-Union Employees	5,350	5,771	5,827
Union Employees	9,038	9,140	9,308
Total	14,542	15,054	15,273

(1) As of December 31, 2001, we also employed 504 temporary workers.

As of December 31, 2001, approximately 62% of our employees, most of whom were employed in Mexico, were members of labor unions. We had 38 separate collective bargaining agreements with six labor unions represented at our Mexican operations and one collective bargaining agreement with one labor union in Buenos Aires. In Mexico, wages are renegotiated every year while other terms and conditions of employment are renegotiated every two years. In Buenos Aires, the collective bargaining agreement is negotiated between the *Cámara Argentina de la Industria de Bebidas sin Alcohol* (the Argentine Chamber of the Non-Alcoholic Beverages Industry) on behalf of the beverage producers, and the *Federación Argentina de Trabajadores de Aguas Gaseosas* (the Argentine Federation of Soft Drink Workers), on behalf of the soft drink industry workers. The Argentine government is not involved in these negotiations.

We believe that we currently enjoy good relations with our workforce.

Item 7. Major Shareholders and Related Party Transactions

MAJOR SHAREHOLDERS

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

Our share capital consists of three classes of securities: Series A Shares held by Emprex, Series D Shares held by Inmex, and Series L Shares, held by the public. On January 28, 1998, we effected a three-for-one stock split. Our capital structure at December 31, 2001 was as follows:

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

(1) FEMSA owns 99.98% of the capital stock of Emprex, and 54.3% of the voting stock of FEMSA is controlled by the Technical Committee and Trust Participants under Irrevocable Trust No. F/29487-6 established at BBVA Bancomer, S.A., as Trustee. As of May 15, 2002, the Trust Participants included: Max Michel Suberville, Eugenio Garza Lagüera, Paulina Garza Gonda de Marroquín, Bárbara Garza Gonda de Braniff, Mariana Garza Gonda de Treviño Bryan, Eva Gonda de Garza, José Antonio Fernández Carbajal, Eva Garza Gonda de Fernández, Juan Carlos Braniff Hierro, Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Patricio Garza Garza, Juan Carlos Garza Garza, Eduardo Garza Garza, Eugenio Garza Garza, Alberto Baillères, María Teresa G. de Baillères, Inversiones Bursátiles Industriales, S.A. de C.V., Corbal, S.A. de C.V., Magdalena M. de David, Alepage, S.A., Grupo Financiero BBVA Bancomer, S.A., as Trustee under Trust No. F/29013-0, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, Inversiones Franca, S.A. de C.V., and BBVA Bancomer, S.A., as Trustee under Trust No. F/29490-0.

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

(*) Holders of Series L Shares, and consequently holders of ADSs, are only entitled to vote in limited circumstances.

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

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

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

As of May 31, 2002, there were 25,508,826 of our ADSs outstanding, each ADS representing ten Series L Shares. Approximately 94.2% of our outstanding Series L Shares were represented by ADSs. As of May 31, 2002, the ADSs were held by approximately 280 holders, (including The Depositary Trust Company) with registered addresses in the United States.

The Shareholders Agreement

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

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

We regularly engage in transactions with FEMSA, The Coca-Cola Company, and their affiliates. In 2001, we purchased crown caps, plastic bottle caps, commercial refrigerators, lubricants, detergents, plastic cases, and substantially all of our returnable glass bottle requirements for our Mexican operations from FEMSA Empaques, an indirect, wholly-owned subsidiary of FEMSA, under several supply agreements. We also purchase some refrigerators from a subsidiary of FEMSA Empaques for the Buenos Aires Territory. The aggregate amount of these purchases was Ps.521.1 million in 2001. In addition, some canned beverages in the Mexican Territories are purchased from IEQSA, which in turn purchases a portion of empty cans from Famosa, a subsidiary of FEMSA Empaques. In 2001, Coca-Cola FEMSA de Buenos Aires purchased all of its can presentations from CICAN, a joint venture between Coca-Cola FEMSA de Buenos Aires and the Coca-Cola bottlers in Argentina, Uruguay and Paraguay. In addition, Coca-Cola FEMSA de Buenos Aires also purchased a portion of its plastic ingot requirements for producing plastic bottles and all of our returnable bottle requirements from CIPET. CIPET is a local subsidiary of Embotelladora Andina, S.A. ("Andina"), a Coca-Cola bottler with operations in Argentina, in which The Coca-Cola Company has a substantial interest. We believe that our purchasing practices result in prices comparable to those that would be obtained in arm's length negotiations with unaffiliated parties.

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

In November 2000, we entered into a service agreement with FEMSA Logística, an indirect subsidiary of FEMSA, pursuant to which FEMSA Logística transports finished products from our production facilities to our distribution centers within Mexico. From November 1997 until November 2000, FEMSA Logística, and previously another FEMSA subsidiary, provided similar services pursuant to an informal arrangement with our company. In 2001, we paid approximately Ps.71.5 million pursuant to this agreement.

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

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

We obtained financial services and engaged in transactions for the purchase of fidelity bonds and insurance coverage from subsidiaries of Grupo Financiero BBVA Bancomer, S.A. de C.V., a financial services holding company of which, as of December 31, 2001, two of our directors, Ricardo Guajardo Touché and Juan Carlos Braniff Hierro, were the chairman and vice-chairman of the board of directors, respectively.

Item 8. Financial Information

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated Statements

See “Item 18. Financial Statements” and pages F-1 through F-32.

Dividend Policy

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

Legal Proceedings

In May 2000, the *Comisión Federal de Competencia* (the Mexican Federal Antitrust Commission or “Commission”) requested that we provide them with information relating to their investigation of the sales practices of The Coca-Cola Company and the bottlers of Coca-Cola trademark beverages in Mexico, including our company. This investigation focused on monopolistic practices within the soft drink industry in Mexico. On November 3, 2000, the Commission notified us of its preliminary findings that the bottlers of Coca-Cola trademark beverages engaged in monopolistic practices with respect to exclusivity arrangements with retailers. On February 28, 2002, the Commission notified us of its decision, in which it found that bottlers of Coca-Cola trademark beverages, including our company, had committed monopolistic practices with respect to exclusivity arrangements with retailers. We believe that the decision will not have a material adverse effect on our financial condition, since no fines were imposed against us, and such contracts with retailers are immaterial as a percentage of our total sales. Notwithstanding the foregoing, we appealed the ruling before the Commission. If the Commission confirms its finding, we will have the right to begin an appelate proceeding (an “*amparo*”) before Mexican federal courts. Although we do not believe that the outcome of the procedures will have a material adverse effect on our financial condition, we cannot give any assurances that such legal actions will not negatively affect us in the future.

Item 9. The Offer and Listing

TRADING MARKETS

ADRs representing the ADSs have been issued by the Bank of New York, the depositary for our ADSs. Our ADSs have been traded on the New York Stock Exchange, and our Series L Shares on the Mexican Stock Exchange, since 1993. Each ADS represents ten Series L Shares. On December 31, 2001, approximately 95% of the publicly traded Series L Shares were held in the form of ADSs.

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

	Mexican Stock Exchange pesos per L Share		**New York Stock Exchange dollars per L ADR**	
	High	Low	High	Low
1997:				
Full year	Ps. 15.83	Ps. 7.47	$ 19.52	$ 9.38
1998:				
Full year	Ps. 17.72	Ps. 10.98	$ 20.69	$ 10.81
1999:				
Full year	Ps. 20.30	Ps. 12.32	$ 12.81	$ 11.13
2000:				
First quarter	Ps. 19.00	Ps. 15.00	$ 20.56	$ 15.25
Second quarter	18.80	13.78	19.31	14.38
Third quarter	19.30	17.18	20.69	18.00
Fourth quarter	21.15	17.50	22.38	18.50
2001:				
First quarter	Ps. 23.15	Ps. 16.91	$ 25.31	$ 18.00
Second quarter	22.18	16.80	24.70	17.85
Third quarter	22.18	17.50	23.85	17.40
Fourth quarter	19.54	16.54	21.15	17.76
December	18.89	17.80	20.53	19.25
2002:				
January	Ps. 21.50	Ps. 18.91	$ 23.60	$ 20.57
February	22.20	20.80	24.75	22.54
March	25.06	22.38	27.45	24.75
April	27.60	23.85	29.70	25.70
May	28.82	24.95	27.46	23.80
June[(1)]	24.64	23.75	25.14	23.50

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(1) From the period beginning June 1, 2002 until June 14, 2002.

Since November 1, 1996, our 8.95% Notes due November 1, 2006 have been listed on the New York Stock Exchange. The following table sets forth, for the periods indicated, the reported high and low sales prices for the notes on the New York Stock Exchange. Prices have not been restated in constant currency units.

	New York Stock Exchange Percentage of Principal Amount	
	High	**Low**
1997:		
Full year	106.63	94.33
1998:		
Full year	106.00	82.00
1999:		
Full year	102.81	90.16
2000:		
First quarter	104.97	99.24
Second quarter	106.33	101.29
Third quarter	104.14	101.15
Fourth quarter	105.22	102.79
2001:		
First quarter	104.88	102.06
Second quarter	104.81	104.63
Third quarter	104.81	104.63
Fourth quarter	112.25	112.25
December	112.25	112.25
2002:		
January	111.91	111.33
February	111.69	110.91
March	111.38	110.63
April	110.75	110.00
May	110.41	110.06
June[1]	110.50	109.69

[1] From the period beginning June 1, 2002 until June 14, 2002.

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

TRADING ON THE MEXICAN STOCK EXCHANGE

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

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

Item 10. Additional Information

BYLAWS

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

Organization and Register

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

Purposes

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

Voting Rights

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

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

of the National Security Commission of Mexico, to make a public offer to acquire such shares. Except as described above and in the following paragraph, the holders of Series L Shares have no voting rights. Holders of Series L Shares are not entitled to attend or to address meetings of shareholders at which they are not entitled to vote.

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

Shareholders' Meetings

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

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

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

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

Dividend Rights

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

reserve on June 30, 1993 was Ps.500,000. Thereafter, the shareholders may determine and allocate a certain percentage of net profits to any special reserve, including a reserve for open-market purchases of our shares. The remainder of net profits is available for distribution. All shares outstanding and fully paid (including Series L Shares) at the time a dividend or other distribution is declared are entitled to share equally in such dividend or other distribution. Shares which are only partially paid participate in a dividend or other distributions in the same proportion that such shares have been paid at the time of the dividend or other distributions. Treasury shares are not entitled to dividends or other distributions.

Liquidation

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

Preemptive Rights

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

Foreign Investment Legislation

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

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

Transfer Restrictions

Our bylaws provide that no holder of Series A or Series D Shares may sell its Series A or D Shares unless it has disclosed the terms of the proposed sale and the name of the proposed buyer and has previously offered to sell such shares to the holders of the other such series for the same price and terms as it intended to sell the shares to a

third party. If the shareholders being offered shares do not choose to purchase such shares within 90 days of the offer, the selling shareholder is free to sell the shares to such third party at the price and under the terms specified in such offer within a specified time. In addition, our bylaws impose certain procedures in connection with the pledge of any Series A or Series D Shares to any financial institution which are designed, among other things, to ensure that such pledged shares will be offered to the holders of the other such Series at market value prior to any foreclosure with respect thereto. Finally, a proposed transfer of Series A or Series D Shares other than a proposed sale or such a pledge, or a change of control of a holder of Series A or Series D Shares that is a subsidiary of a principal shareholder, would trigger rights of first refusal to purchase the subject shares at market value. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."

Other Provisions

Redemption

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

Capital Variations

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

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

Forfeiture of Shares

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

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

Duration

Our existence under the bylaws continues until 2090.

Purchase of Our Own Shares

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

Conflict of Interest

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

Actions against Directors

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

Appraisal Rights

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

Rights of Shareholders

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

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

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

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

Enforceability of Civil Liabilities

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

MATERIAL CONTRACTS

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

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

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

We purchase the large majority of our non-returnable plastic bottles, as well as pre-formed plastic ingots for the production of non-returnable plastic bottles, from ALPLA Fábrica de Plásticos, S.A. de C.V. ("ALPLA"), an authorized provider of PET for the Coca-Cola Company, pursuant to an agreement we entered into in April 1998. Under this agreement, we rent warehouse space to ALPLA, where it produces PET bottles and ingots to certain specifications and quantities for our use.

On November 2, 2001, we entered into two franchise bottling agreements with Promotora de Marcas Nacionales, a subsidiary of Emprex, for the bottling and distribution of Mundet brands in most of our Mexican territories. The terms and conditions of the franchise agreements are similar to the current arrangements that we have entered into with The Coca-Cola Company for the bottling and distribution of Coca-Cola trademark soft drink beverages. See "Item 4. Information on the Company—Bottler Agreements."

Pursuant to a one-year advance sugar purchase agreement, we purchase sugar from Nafin, a Mexican government-owned development bank which acts as trustee in benefit of the trust that manages Mexico's expropriated sugar industry. See "Item 4. Information on the Company—The Company—Raw Materials."

EXCHANGE CONTROLS

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

As a result of inflationary pressures, the Argentine currency has been devalued numerous times during the three decades prior to 1991. During that period, the Argentine economic authorities utilized a variety of foreign currency exchange systems, including sudden devaluation, mini-devaluation, floating rates, dual markets, multi-tier markets, and public auctions. Although over long periods the devaluation of the currency has generally correlated with the rates of inflation, such governmental actions have resulted in significant fluctuations in the real currency exchange rate between the Argentine currency and the U.S. dollar over shorter periods. Between April 1991 and December 2001, 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. In December 2001, the Argentine government implemented a dual foreign exchange rate mechanism as a response to the economic crisis that took place in Argentina at that time. Under this mechanism, a controlled exchange rate fixed at A$1.40 pesos per U.S. dollar for specific import/export related transactions coexisted with a free-floating exchange rate determined by demand and supply for local transactions. See "Item 5. Results of Operations for the Year Ended December 31, 2001 Compared to the Year December 31, 2000—Impact of the Devaluation of the Argentine Peso Against the U.S. Dollar." If the Argentine peso were permitted to depreciate against the U.S. dollar, such depreciation may affect our ability to meet our U.S. dollar-denominated obligations.

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

LIMITATIONS AFFECTING NON-MEXICAN SECURITYHOLDERS

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

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

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

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

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

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

following the end of each fiscal year to consider certain matters specified in Article 181 of the Mexican Companies Law, including the election of directors and examiners, the determination of their compensation, and the approval of the report of the board of directors regarding our performance and financial statements for the preceding fiscal year. Holders of Series L Shares are not entitled to attend or to address meetings of shareholders at which they are not entitled to vote.

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

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

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

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

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

TAXATION

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

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

Mexican Taxation

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

Tax Considerations Relating to the Notes

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

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

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

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

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

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

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

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

Tax Considerations Relating to the Series L Shares and the ADSs

Taxation of Dividends. Under Mexican income tax law, dividends, either in cash or in kind, paid with respect to the Series L Shares represented by ADSs or the Series L Shares are not subject to Mexican withholding tax.

Taxation of Dispositions of ADSs or Series L Shares. Gains from the sale or disposition of ADSs by holders who are non-resident holders of Mexico will not be subject to Mexican withholding tax. Gains from the sale of Series L Shares carried out by non-resident individuals of Mexico through the Mexican Stock Exchange will generally be exempt from Mexican tax. However, certain restrictions will apply if the Series L Shares are transferred as a consequence of public offerings.

Non-resident legal entities are subject to a 5% withholding tax on the gross sales price received upon the sale of Series L Shares through the Mexican Stock Exchange. Alternatively, non-resident legal entities may elect to be subject to a 20% tax rate on their gains from the sale as calculated by the Mexican Income Tax Law provisions. In both cases, the financial institutions involved in the transfers must withhold the tax.

On April 11, 2002, a general ruling was issued by the Mexican Ministry of Finance allowing non-resident legal entities to elect not to pay the tax discussed in the previous paragraph. On May 30, 2002 the Mexican Ministry of Finance extended the effect date of this ruling until February 28, 2003, but it should be noted that the Mexican Ministry of Finance may withdraw this tax benefit after such extension has expired. Certain restrictions will apply if the Series L Shares are transferred as a consequence of public offerings.

Gains on the sale or other disposition of Series L Shares or ADSs made in other circumstances generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor. However, under the Tax Treaty, a holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of Series L Shares or ADSs in a transaction that is not carried out through the Mexican Stock Exchange or other approved securities markets, so long as the holder did not own, directly or indirectly, 25% or more of our total capital stock (including Series L Shares represented by ADSs) within

the 12-month period preceding such sale or other disposition. Deposits of Series L Shares in exchange for ADSs and withdrawals of Series L Shares in exchange for ADSs will not give rise to Mexican tax.

Other Mexican Taxes

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

United States Taxation

Tax Considerations Relating to the Notes

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

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

Foreign tax credits may 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 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 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.

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

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

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

Gain, if any, realized by a U.S. holder on the sale or other disposition of Series L Shares or ADSs will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently if a Mexican withholding tax is imposed on the sale or disposition of Series L Shares, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, Series L Shares.

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

United States Backup Withholding and Information Reporting

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

DOCUMENTS ON DISPLAY

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

Item 11. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. At December 31, 2001, we had outstanding indebtedness of Ps.2,804 billion, of which approximately 98.4% bore interest at fixed interest rates and approximately 1.6% bore interest at variable interest rates. The interest rate on our variable rate debt is determined by reference to LIBOR. LIBOR increases would, consequently, increase our interest payments.

The table below provides information about our derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, presenting principal payments and related weighted average interest rates by expected maturity dates. Weighted average variable rates are based on the LIBOR curve on December 31, 2001, plus spread contracted by us. The instruments' actual payments are denominated in U.S. dollars, which are presented in pesos, our reporting currency, in the table below, utilizing the December 31, 2001 exchange rate of 9.18 pesos per dollar.

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

Principal by Year of Maturity
At December 31, 2001
(millions of constant Mexican pesos)

							2001		2000	
	2002	2003	2004	2005	2006	2007 and thereafter	Total	Fair Value	Total	Fair Value
Fixed Rate Debt										
U.S. dollars	4.6	—	918.0	—	1,836.0	—	2,758.6	3,061.4	3,020.4	3,106.4
Weighted average rate......	7.0%	—	9.4	—	9.0	—	9.0	—	9.1%	
Variable Rate Debt										
U.S. dollars	9.4	8.2	8.2	6.2	6.2	7.7	45.8	45.8	59.1	59.1
Weighted average rate......	9.0%	9.2%	9.2%	10.0%	10.0%	10.1%	9.5%	—	8.9%	

A hypothetical, instantaneous and unfavorable change of 100 basis points in the average interest rate applicable to floating-rate liabilities held at December 31, 2001 would increase our interest expense in 2002 by approximately Ps.0.5 million, or 10.5%, over a 12-month period, assuming no additional debt is incurred during such period.

Exchange Rate Risk*.* Our principal exchange rate risk involves changes in the value of the peso relative to the U.S. dollar. In 2001, approximately 82.1% of our consolidated total revenues were denominated in pesos, and 17.9% were denominated in Argentine pesos. We estimate that a majority of our consolidated costs and expenses are denominated in pesos for Mexican subsidiaries and in Argentine pesos for Coca-Cola FEMSA de Buenos Aires. As of December 31, 2001, all our indebtedness was denominated in U.S. dollars. Decreases in the value of the peso relative to the U.S. dollar will increase the cost in pesos of our foreign currency denominated operating costs and expenses and of the debt service obligations with respect to our foreign currency denominated indebtedness. A depreciation of the peso relative to the U.S. dollar will also result in foreign exchange losses as the peso value of our foreign currency denominated indebtedness is increased.

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

At December 31, 2001, we do not have any forward agreements to hedge our operations denominated in US dollars. At December 31, 2000, we had forward agreements to buy and sell U.S. dollars, for a total amount of $131,400 that expired during 2001. Additionally, during 2001, we entered into 10 forward agreements for a total amount of $100,000 in order to manage the exchange rate risk between the Argentine peso and the U.S. dollar, which expired during November and December 2001.

The fair value of the foreign currency forward contracts is estimated based on quoted market prices of each agreement at year end, assuming the same maturity dates originally contracted. During 2000, the weighted average quoted market exchange rate for the existing contracts was Ps.10.302 per U.S. dollar.

At December 31, 2001, we do not have any call option agreements to purchase U.S. dollars. At December 31, 2000, we had 24 call option agreements to purchase U.S. dollars, for a total amount of $87,600, at an average exchange rate of Ps.10.37 per U.S. dollar, which expired during 2001. The fair value of the call option agreements is estimated based on quoted market prices of the cost paid for such agreements, considering the same amounts, exchange rates and maturity dates originally contracted.

Dollar-Forward and Call Options Agreements by Year of Maturity
At December 31, 2001

	2001		2000	
		Fair Value		Fair Value (millions of Mexican pesos)
Dollar-Forwards				
To cover peso risk	–	–	$131 million	Ps. 38.6
Weighted average rate				
Contracted	–		Ps. 10.605	
Quoted Market	–		Ps. 10.302	
To cover Argentine peso risk	–	–	$100 million	Ps. 7.0
Weighted average rate				
Contracted	–		A$ 1.070	
Quoted Market	–		A$ 1.070	
Call Options	–	–	$1.4 million	Ps. 5.6

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the peso relative to the U.S. dollar occurring on December 31, 2001, would have resulted in an increase in our net consolidated integral cost of financing expense of approximately Ps.607 million over a 12-month period, reflecting higher interest expense and foreign exchange gain generated by the cash balances held in U.S. dollars as of that date, net of the loss based on the Company's U.S. dollar-denominated indebtedness at December 31, 2001, excluding the financing obtained to acquire Coca-Cola FEMSA de Buenos Aires, which effects are included in the cumulative translation account, as part of the shareholders' equity. 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 gain on monetary position would reduce the consolidated net integral cost of financing.

As of June 14, 2002, there is still continued uncertainty over the value of the Argentine peso. The exchange rate at that date was A$3.55 per dollar, representing a devaluation of approximately 109%, in addition to the 70% devaluation that we recognized in our financial statements for the year ended December 31, 2001. We expect this situation to continue during the second semester of 2002 and to result in an impact on our operating results and shareholders' equity. Assuming an exchange rate of A$4.00 per dollar at December 31, 2001, the additional reduction on shareholders' equity would have been of approximately Ps.929 million.

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

At December 31, 2001, the stock market price of a FEMSA BD Unit was Ps.31.0. The fair value of the options is estimated based on quoted market prices to terminate the contracts on December 31, 2001.

	2001		**2000**	
		Fair Value (millions of pesos)		**Fair Value (millions of pesos)**
Equity Risk:				
Call Options on FEMSA BD Units (long)*				
Contracts (one BD Unit per contract).............	595,158	Ps. 6.0	595,158	Ps. 4.1
Strike Price (dollars per BD Units)	$3.61		$3.69	

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

Items 12-17. Not Applicable

Item 18. Financial Statements

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

Item 19. Exhibits

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

(b) List of Exhibits

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

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

Exhibit No:	Description
Exhibit 4.10	Amendment, dated February 1, 1996, to Bottler Agreement with respect to former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (incorporated by reference to Exhibit 10.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.11	Amendment, dated October 30, 1997, to Bottler Agreement with respect to the Southeast Territory and the Tapachula area in Mexico, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company (with an English translation) (incorporated by reference to Exhibit 4.11 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
Exhibit 4.12	Amendment, dated May 22, 1998, to Bottler Agreement with respect to the former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (with an English translation) (incorporated by reference to Exhibit 4.12 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
Exhibit 4.13	Shareholders Agreement by and among FEMSA, The Coca-Cola Company and the Inmex Corporation dated as of June 21, 1993 (incorporated by reference to Exhibit 9.1 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.14	Amendment, dated January 28, 1999, to the Shareholders Agreement, dated June 21, 1993, among FEMSA, The Coca-Cola Company, and the Inmex Corporation (incorporated by reference to Exhibit 1.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1999 (File No. 1-12260)).
Exhibit 4.15	Services Agreement between Coca-Cola FEMSA and FEMSA Logística, dated November 7, 2000 (with an English translation) (incorporated by reference to Exhibit 4.15 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
Exhibit 4.16	Supply Agreement between Coca-Cola FEMSA and FEMSA Empaques, dated June 21, 1993 (incorporated by reference to Exhibit 10.7 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.17	Coca-Cola Tradename License Agreement between Coca-Cola FEMSA and The Coca-Cola Company, dated June 21, 1993 (incorporated by reference to Exhibit 10.40 to FEMSA's Registration Statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).
Exhibit 4.18	Supply Agreement between ALPLA Fábrica de Plásticos, S.A. de C.V. and Industria Embotelladora de México, S.A. de C.V., dated April 3, 1998 (with an English translation).*
Exhibit 4.19	Franchise Agreement between Promotora de Marcas Nacionales, S.A. de C.V. and Inmuebles del Golfo, S.A. de C.V., dated November 2, 2001 (with an English translation).*
Exhibit 4.20	Franchise Agreement between Promotora de Marcas Nacionales, S.A. de C.V. and Propimex, S.A. de C.V., dated November 2, 2001 (with an English translation).*

Exhibit 4.21	Purchase Agreement between Nacional Financiera, S.N.C. and Propimex, S.A. de C.V., dated March 22, 2002 (with an English translation).*
Exhibit 8.1	List of Coca-Cola FEMSA's Significant Subsidiaries.

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* Portions of Exhibits 4.18, 4.19, 4.20 and 4.21 have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of COCA-COLA FEMSA, S.A. DE C.V. (a Mexican corporation) AND SUBSIDIARIES (collectively referred to as the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 2001, all expressed in thousands of Mexican pesos of purchasing power as of December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Coca-Cola FEMSA, S.A. de C.V. and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in Mexico.

Also, in our opinion, the amounts in the accompanying financial statements translated into U.S. dollars have been computed on the basis set forth in Note 1 for the convenience of the reader.

As mentioned in Note 4 :

- Effective January 1, 2000 the new procedures for the recognition of deferred income taxes as prescribed by recently revised Bulletin D-4, "Accounting for Income Taxes, Asset Taxes and Employee Profit Sharing", were adopted.

- Effective January 1, 2001 the new procedures for the recognition of all financial instruments as prescribed by Bulletin C-2, "Financial Instruments", were adopted.

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

Ruiz, Urquiza y Cía., S.C.
(A member firm of Andersen Worldwide until April 9, 2002.
Ruiz, Urquiza y Cía., S.C. has entered into an agreement
to associate with Deloitte Touche Tohmatsu.)

C.P.C. Arturo Uribola Arce
Mexico City, Mexico
June 14, 2002

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

MÉXICO, D.F.

Consolidated Balance Sheet

At December 31, 2001 and 2000

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2001

		2001				2000
Assets						
Current Assets:						
Cash and cash equivalents	$	**467,628**	**Ps.**	**4,292,827**	Ps.	1,758,697
Accounts receivable:						
Trade		**62,842**		**576,894**		566,173
Notes		**3,363**		**30,872**		34,764
Other		**34,214**		**314,084**		151,395
		100,419		**921,850**		752,332
Recoverable Taxes		**251**		**2,301**		2,619
Inventories		**61,676**		**566,189**		446,204
Prepaid expenses		**3,457**		**31,730**		46,566
Total Current Assets		**633,431**		**5,814,897**		3,006,418
Property, Plant and Equipment:						
Land		**80,418**		**738,234**		735,142
Buildings, machinery and equipment		**856,389**		**7,861,653**		7,842,493
Accumulated depreciation		**(287,444)**		**(2,638,732)**		(2,433,920)
Construction in process		**31,950**		**293,304**		280,749
Bottles and cases		**22,327**		**204,961**		311,561
Total Property, Plant and Equipment		**703,640**		**6,459,420**		6,736,025
Investments in Shares		**15,188**		**139,424**		153,350
Deferred Charges, Net		**56,637**		**519,924**		440,414
Goodwill, Net		**97,764**		**897,475**		961,294
TOTAL ASSETS	**$**	**1,506,660**	**Ps.**	**13,831,140**	Ps.	11,297,501

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

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

MÉXICO, D.F.

Consolidated Balance Sheet

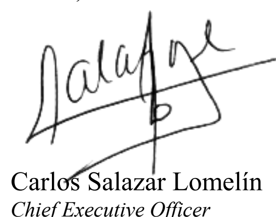
At December 31, 2001 and 2000

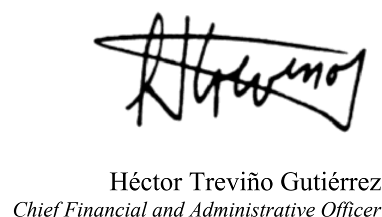
Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2001

		2001		2001		2000
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Bank Loans and accrued interest	**$**	**6,904**	**Ps.**	**63,381**	Ps.	69,426
Current maturities of long-term debt		**1,530**		**14,042**		16,075
Suppliers		**162,172**		**1,488,737**		1,233,478
Accounts payable		**37,301**		**342,420**		382,916
Accrued taxes		**42,004**		**385,599**		237,004
Other liabilities		**10,275**		**94,325**		90,807
Total Current Liabilities		**260,186**		**2,388,504**		2,029,706
Long-Term Liabilities:						
Long-term debt		**305,488**		**2,804,383**		3,077,971
Current maturities		**(1,530)**		**(14,042)**		(16,075)
Pension Plan		**16,289**		**149,532**		138,119
Seniority premiums		**1,971**		**18,093**		17,041
Deferred income taxes		**72,182**		**662,628**		715,132
Other liabilities		**37,848**		**347,449**		173,046
Total Long Term Liabilities		**432,248**		**43,968,043**		4,105,234
Total Liabilities		**692,434**		**6,356,547**		6,134,940
Stockholders' Equity:						
Capital Stock		**244,203**		**2,241,779**		2,241,779
Additional paid-in capital		**171,811**		**1,577,228**		1,577,228
Retained earnings for prior years		**492,512**		**4,521,260**		3,493,461
Net income for the year		**244,437**		**2,243,928**		1,329,389
Cumulative Translation Adjustment		**127,836**		**1,173,534**		819,435
Cumulative result of holding non-monetary assets		**(466,573)**		**(4,283,136)**		(4,298,731)
Total Stockholders' Equity		**814,226**		**7,474,593**		5,162,561
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**1,506,660**	**Ps.**	**13,831,140**	Ps.	11,297,501

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

January 19, 2002
México, D.F.





Carlos Salazar Lomelín
Chief Executive Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer

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

MÉXICO, D.F.

Consolidated Income Statement

For the years ended December 31, 2001, 2000 and 1999

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2001

	2001		2000	1999
Net sales	**$ 1,888,244**	**Ps 17,344,078**	Ps 16,714,914	Ps 15,278,221
Other operating revenues	**18,494**	**169,775**	81,614	53,761
Total revenues	**1,906,738**	**17,503,853**	16,856,528	15,331,982
Cost of sales	**899,294**	**8,255,516**	8,324,147	8,059,664
Gross profit	**1,007,444**	**9,248,337**	8,532,381	7,272,318
Operating expenses:				
Administrative	**142,043**	**1,303,953**	1,328,981	1,120,283
Selling	**439,756**	**4,036,956**	4,048,704	3,754,233
	581,799	**5,340,909**	5,377,685	4,874,516
Goodwill amortization	**12,108**	**111,163**	118,222	126,803
Income from operations	**413,537**	**3,796,265**	3,036,474	2,270,999
Integral cost of financing:				
Interest expense	**34,261**	**314,513**	349,995	466,487
Interest income	**(29,672)**	**(272,392)**	(132,540)	(78,061)
Foreign exchange (gain) loss, net	**(7,521)**	**(69,039)**	357,777	37,908
Loss (gain) on monetary position	**8,344**	**76,601**	(6,373)	(104,077)
	5,412	**49,683**	568,859	322,257
Other expenses, net	**6,436**	**59,086**	134,443	73,075
Income for the year before income taxes, asset tax, employee profit sharing and change in accounting principle	**401,689**	**3,687,496**	2,333,172	1,875,687
Income taxes, asset tax and employee profit sharing	**154,266**	**1,416,158**	1,003,783	815,168
Net income for the year before change in accounting principle	**247,423**	**2,271,338**	1,329,389	1,060,519
Change in accounting principle	**2,986**	**27,410**	-	-
Net income	**$ 244,437**	**Ps. 2,243,928**	Ps. 1,329,389	Ps. 1,060,519
Weighted average shares outstanding (in thousands)	**1,425,000**	**1,425,000**	1,425,000	1,425,000
Net income per share (U.S. dollars and Mexican pesos) before change in accounting principle	**$ 0.17**	**Ps. 1.59**	Ps. 0.93	Ps. 0.74
Net income per share (U.S. dollars and Mexican pesos)	**$ 0.17**	**Ps. 1.57**	Ps. 0.93	Ps. 0.74

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

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

MÉXICO, D.F.

Consolidated Statement of Changes in Financial Position

For the years ended December 31, 2001, 2000 and 1999

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2001

	2001	2001	2000	1999
RESOURCES GENERATED BY (USED IN)				
Operations:				
Net income for the year	**$ 244,437**	**Ps. 2,243,928**	Ps. 1,329,389	Ps. 1,060,519
Depreciation	**70,976**	**651,556**	710,506	606,512
Breakage of bottles and cases	**21,205**	**194,659**	272,064	233,761
Goodwill amortization	**12,109**	**111,163**	118,222	126,803
Amortization and others	**15,233**	**139,839**	163,733	200,070
	363,960	**3,341,145**	2,593,914	2,227,665
Working Capital:				
Accounts receivable	**(18,466)**	**(169,518)**	(67,617)	(46,827)
Inventories	**(15,139)**	**(138,974)**	(13,397)	(33,334)
Prepaid expenses and recoverable taxes	**1,651**	**15,154**	(21,383)	28,194
Suppliers	**27,803**	**255,234**	140,792	302,392
Accounts payable and other	**(4,028)**	**(36,978)**	109,000	93,747
Accrued taxes	**16,187**	**148,595**	(214,697)	337,744
	8,008	**73,513**	(67,302)	681,916
Net Resources Generated by Operations	**371,968**	**3,414,658**	2,526,612	2,909,581
Investing Activities:				
Property, plant and equipment, net	**(78,672)**	**(703,847)**	(737,861)	(784,905)
Divestiture of property, plant and equipment	**13,341**	**122,467**	5,255	23,206
Investments in shares and deferred charges	**(22,619)**	**(207,639)**	(151,527)	(144,967)
Net resources Used in investing Activities	**(85,950)**	**(789,019)**	(884,133)	(906,666)
Financing Activities:				
Amortization in real terms of financing for the purchase of Coca-Cola FEMSA Buenos Aires shares	**(27,871)**	**(255,856)**	(206,980)	(685,671)
Translation adjustment in Coca-Cola FEMSA Buenos Aires Investment	**38,573**	**354,099**	(42,051)	234,909
(Decrease) in notes and interest payable	**(658)**	**(6,045)**	(5,553)	(18,045)
(Decrease) increase in bank loans	**(1,932)**	**(17,732)**	21,084	(999,906)
Dividends paid	**(32,853)**	**(301,590)**	(246,310)	(199,329)
Other liabilities	**13,279**	**121,902**	94,870	49,855
Pension plan and seniority premiums	**1,493**	**13,713**	4,158	(24,529)
Net Resources Used in Financing Activities	**(9,969)**	**(91,509)**	(380,782)	(1,642,716)
Net increase (decrease) in cash and cash equivalents	**276,049**	**2,534,130**	1,261,697	360,199
Cash and cash equivalents at the beginning of the year	**191,579**	**1,758,697**	497,000	136,801
Cash and Cash Equivalents At The End of the Year	**$ 467,628**	**Ps. 4,292,827**	Ps. 1,758,697	Ps. 497,000

The accompanying notes are an integral part of this consolidated statement of changes in financial position.

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

MÉXICO, D.F.

Consolidated Statement of Changes in Stockholder's Equity

For the years ended December 31, 2001, 2000 and 1999

Amounts Expressed in Thousands of US Dollars ($) and Thousands of Constant Mexican Pesos (Ps.) as of December 31, 2001

Description		Capital Stock		Additional Paid-in Capital		Retained Earnings for Prior Years
CONSOLIDATED BALANCES AT DECEMBER 31, 1998	Ps.	2,047,705	Ps.	1,771,302	Ps.	2,897,656
Transfer of income of prior year						747,102
Dividends paid						(199,329)
Transfer of additional paid-in capital		194,074		(194,074)		
Net income for the year						
Other comprehensive income:						
Translation adjustment of Coca-Cola FEMSA Buenos Aires Investment						
Results from holding non-monetary assets						
Comprehensive Income						
CONSOLIDATED BALANCES AT DECEMBER 31, 1999	Ps.	2,241,779	Ps.	1,577,228	Ps.	3,445,429
Bulletin D-4 deferred taxes						(766,177)
Transfer of income of prior year						1,060,519
Dividends paid						(246,310)
Net income for the year						
Other comprehensive income:						
Translation adjustment of Coca-Cola FEMSA Buenos Aires Investment						
Results from holding non-monetary assets						
Comprehensive income						
CONSOLIDATED BALANCES AT DECEMBER 31, 2000	Ps.	2,241,779	Ps.	1,577,228	Ps.	3,493,461
Transfer of income of prior year						1,329,389
Dividends paid						(301,590)
Net income for the year						
Other comprehensive income:						
Translation adjustment of Coca-Cola FEMSA Buenos Aires Investment						
Results from holding non-monetary assets						
Comprehensive income						
CONSOLIDATED BALANCES AT DECEMBER 31, 2001	**Ps.**	**2,241,779**	**Ps.**	**1,577,228**	**Ps.**	**4,521,260**

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

Net Income for the year	Cumulative Translation Adjustment	Cumulative Result of Holding Non-monetary Assets	Total Stockholders' Equity
Ps. 747,102	Ps. 626,577	Ps. (3,563,369)	Ps. 4,526,973
(747,102)			-
			(199,329)
			-
1,060,519			1,060,519
	234,909		234,909
		(556,069)	(556,069)
1,060,519	234,909	(556,069)	739,359
Ps. 1,060,519	Ps. 861,486	Ps. (4,119,438)	Ps. 5,067,003
			(766,177)
(1,060,519)			-
			(246,310)
1,329,389			1,329,389
	(42,051)		(42,051)
		(179,293)	(179,293)
1,329,389	(42,051)	(179,293)	1,108,045
Ps. 1,329,389	Ps. 819,435	Ps. (4,298,731)	Ps. 5,162,561
(1,329,389)			-
			(301,590)
2,243,928			2,243,928
	354,099		354,099
		15,595	15,595
2,243,928	354,099	15,595	2,613,622
Ps. 2,243,928	**Ps. 1,173,534**	**Ps. (4,283,136)**	**Ps. 7,474,593**

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

Activities of the Company

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

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

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

On November 5, 2001, the Company entered into a franchise agreement with FEMSA for the production, distribution and sale of the Mundet brand beverages throughout the territories where the Company operates.

Note 1. Basis of Presentation

The consolidated financial statements of the Company are prepared in accordance with Generally Accepted Accounting Principles in Mexico ("Mexican GAAP"), which differ in certain significant respects from Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP") as further explained in Note 21. A reconciliation from Mexican GAAP to U.S. GAAP is included in Note 22.

The consolidated financial statements are stated in thousand of Mexican pesos ("Ps"). The translations of Mexican pesos into US dollars ("$") are included solely for the convenience of the reader, using the exchange rate as of December 31, 2001 of 9.1800 Mexican pesos per U.S. dollar. Such convenience translations should not be construed as representation that the Mexican peso accounts have been, could have been, or could in the future be, converted into US dollars at this or any other exchange rate.

Note 2. Basis of Consolidation

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

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

The subsidiaries of Coca-Cola FEMSA are:

Valley of Mexico:
Propimex, S.A. de C.V.
Refrescos y Aguas Minerales, S.A. de C.V.
Administración y Asesoría Integral, S.A. de C.V.

Southeast of Mexico:
Inmuebles del Golfo, S.A. de C.V.
Argentina:
Coca-Cola FEMSA de Buenos Aires, S.A.

Note 3. Foreign Subsidiary Incorporation

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

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

The variation in a net investment in foreign subsidiaries generated by exchange rate fluctuations is denominated the cumulative translation adjustment and is recorded directly in stockholders equity.

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

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

In December 2001, the Argentine government adopted a series of economic measures, the most important of which consisted of restrictions on cash withdrawals and the carrying out of foreign exchange transactions for the period from December 21, 2001 through January 11, 2002. At the end of this period, a dual exchange rate system went into effect, with a free-floating exchange rate to be determined by supply and demand and a controlled exchange rate of 1.40 Argentine pesos to the US dollar (equivalent to 6.557 Mexican pesos to the Argentine peso, considering the 9.18 Mexican peso per US dollar exchange rate prevailing at year-end).

On January 6, 2002, the Argentine government published the Economic Emergency Law that will be in effect through December 10, 2003. This law grants powers to the government to establish the system that will determine the exchange rate of the Argentine peso with respect to the other foreign currencies and to establish foreign exchange regulations.

Due to the instability of the Argentine economy and the uncertainty with respect to the exchange rate of the Argentine peso at the end of 2001, the Company recognized a devaluation of the Argentine peso and the resulting negative impact on its investment in Coca-Cola FEMSA de Buenos Aires, by incorporating the latter's figures into the consolidated financial statements using the following exchange rates:

	Argentine pesos to the U.S. dollar	Mexican pesos to the Argentine peso
Balance sheet	1.700	5.400
Income Statement	1.033	8.891

Income statement was incorporated at the exchange rate of 8.891 Mexican pesos to the Argentine peso, considering that transactions through November 30, 2001 were carried out in the normal course of business and the consequences of the measures adopted by the Argentine government in December affect December and thereafter.

Following a conservative approach, the Company calculated the restatement of fixed assets of foreign origin owned by Coca-Cola FEMSA Buenos Aires using the controlled exchange rate. Liabilities denominated in foreign currency were adjusted to the exchange rate of 1.70 Argentine pesos to the U.S. dollar, although it is possible that some of those liabilities may be settled at the controlled exchange rate.

The impact of the devaluation of the Argentine peso on the Company was Ps. 843,595, which is included in shareholders' equity. According to the procedure to restate prior year figures of foreign subsidiaries (see Note 4a) for the purposes of presenting comparable figures, the exchange rates applicable to 2001 shown above were used for both the balance sheet and the income statement, such that stockholders' equity for each year included in the financial statements reflects the impact of the devaluation of the Argentine peso.

Additionally, the economic hedge for the financing denominated in U.S. dollars to acquire Coca-Cola FEMSA Buenos Aires was reduced due to the impairment of the net investment in this subsidiary resulting from the devaluation. Therefore, the effects of Mexican peso exchange rate fluctuations and the monetary gain corresponding to the portion of the unhedged financing were recorded as part of the integral financing result, and the related tax effects were included in the tax provision.

The total impact on the Company's stockholders' equity due to the devaluation of the Argentine peso related to the amounts of Coca-Cola FEMSA Buenos Aires was as follows:

Income Statement:		**Impact**
Results:		
Net income from operations	Ps.	(7,736)
Exchange gain on foreign currency position		156,516
Financing for the acquisition of the subsidiary		5,918
Net effect in income for the year	**Ps.**	154,698
Stockholders' equity:		
Cumulative translation adjustment	Ps.	(1,128,084)
Result of holding non-monetary assets:		
Restatement of fixed assets of foreign origin		129,791
Net effect in stockholders' equity	**Ps.**	(843,595)

Note 4. Significant Accounting Policies

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

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

The significant accounting policies are as follows:

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

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

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

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

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

The Company restates its consolidated financial statements in terms of the purchasing power of the Mexican peso as of the most recent balance sheet date by using NCPI inflation factors for Mexican subsidiaries, and by using for foreign subsidiaries the inflation rate plus the latest year-end exchange rate of the country in which the foreign subsidiary is located.

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

Financial information of the Mexican subsidiaries for prior years was restated using NCPI inflation factors. Financial information for foreign subsidiaries, included in the consolidated financial statements, was restated using the inflation rate of the country in which the foreign subsidiary is located, and then translated at the year-end exchange rate of the Mexican peso (see Note 3). Accordingly, the amounts are comparable with each other and with the preceding years since all are expressed in the purchasing power of the respective currencies as of the end of the latest year presented.

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

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

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

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

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

Promotional costs are expensed as incurred, except for those promotional costs related to the launching of new products and/or presentations. Those costs are recorded as prepaid expenses and amortized over the year, during which they are estimated to increase sales of the related products and/or presentations to normal operating levels, which is generally one year (see Note 7).

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

Depreciation of property, plant and equipment is computed using the straight-line method based on the value of the assets reduced by their residual values. Depreciation rates are determined by the Company together with independent appraisers, considering the estimated remaining useful lives of the assets.

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

	2001
Building and construction	2.40%
Machinery and equipment	4.80%
Distribution equipment	6.70%
Other equipment	14.20%

g) Bottles and Cases:

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

Depreciation is computed only for tax purposes using the straight-line method at a rate of 10% per year. For financial reporting purposes, breakage is recorded as an expense as it is incurred. The Company estimates that breakage expense is similar to the depreciation calculated based on an estimated useful life of approximately five years for returnable glass bottles and one year for returnable plastic bottles. For the year ended December 31, 2001, 2000 and 1999, breakage expense amounted to Ps. 194,659, Ps. 272,064 and Ps. 233,761, respectively. Bottles and cases in circulation, which have been placed in the hands of customers, are presented net of deposits received from customers, and the difference between the cost of these assets and the deposits received is amortized according with the useful life of such assets.

h) Investments in Shares:

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

i) Deferred Charges:

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

- Investment in refrigerators, which are placed in the market in order to showcase and promote the Company's products. These are depreciated over their estimated useful life of three years.
- Agreements with customers for the right to sell and promote the Company's products during certain years of time, which are being considered as monetary assets and amortized in accordance with the timing of the receipt by the Company of such benefits, the average term of which is between three and four years.
- Leasehold improvements, which are restated by applying NCPI factors, considering their average age, and amortized over the term in which the benefits are expected to be received or the term of the related lease, using the straight-line method.

j) Goodwill:

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

k) Payments from The Coca-Cola Company:

The Coca-Cola Company participates in the advertising and promotional programs of the Company. The resources received for advertising and promotional incentives are included as a reduction of selling expenses. The net expense incurred was Ps. 817,174, Ps. 758,679 and Ps. 731,357, during the year ended December 31, 2001, 2000 and 1999, respectively. In addition, since 1999, The Coca-Cola Company has made payments in connection with the Company's refrigeration equipment investment program.

These payments are related to the increase in volume of Coca-Cola products that result from such expenditures, and will be reimbursed if the established conditions in the contracts are not met. These grants are recorded in 'Deferred Charges' net of participation of The Coca-Cola Company.

l) Labor Liabilities:

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

The unamortized prior service costs of the pension and retirement plan, and seniority premium are recorded as expenses in the income statement, and are amortized over the estimated 14-year year during which the employees will receive the benefits of the plan, beginning in 1996.

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

Severance indemnities are charged to expenses on the date that they are incurred. The severance payments resulting from the Company's reduction of personnel, as a result of the restructuring of certain areas, are included in other expenses, net. During the year ended December 30, 2001, 2000 and 1999, these amounted to Ps. 24,590, Ps. 42,497 and Ps. 38,301, respectively.

m) Revenues Recognition:

Revenue is recognized upon shipment of goods to customers or upon delivery to the customer and the customer has taken ownership of the goods.

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

Beginning in 2000 the Company determines and records its income tax, tax on assets and employee profit sharing in accordance with the tax legislation and revised Bulletin D-4. "Tratamiento Contable del Impuesto Sobre la Renta, del Impuesto al Activo y la Participación de los Trabajadores en las Utilidades" (Accounting for Income Tax, Tax on Assets and Employee Profit Sharing), which requires that deferred tax assets and liabilities be recorded for all temporary differences between the accounting and tax bases of assets and liabilities.

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

The balance of deferred taxes is comprised of monetary and non-monetary items, based on temporary differences from which it is derived. In accordance with Bulletin D-4, the entire balance is classified as a long-term liability, despite the fact that certain temporary differences are expected to reverse in short-term.

The deferred tax provision for the year to be included in the results of operations is determined by comparing the deferred tax balance at end of the year to the balance at the beginning of the year, excluding form both balances any temporary differences that are recorded directly in stockholders' equity. The deferred taxes related to such temporary differences are recorded in the same stockholders' equity account. The initial effect of the application of this new bulletin as of January 1, 2000 was recorded in retained earnings (see Note 18 d).

Each subsidiary determines and records its taxes as if it had filed separately based on the tax incurred during the year, in accordance with tax legislation. Therefore, the income tax provision reflected in the consolidated financial statements represents the sum of the provision for the subsidiaries and Coca-Cola FEMSA.

FEMSA has received authorization from the Secretaría de Hacienda y Crédito Público ("SHCP") to prepare its income tax and tax on asset returns on a consolidated basis, which includes the proportional taxable income or loss of its Mexican subsidiaries.

Beginning in 1999, estimated tax payments through the parent company were eliminated, and the benefits of tax consolidation are limited to 60% of the shareholders' participation in the subsidiaries. Before they were 100%.

o) Integral Cost of Financing:

The integral result of financing includes:

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

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

Loss (Gain) on Monetary Position:
This is the result of the effects of inflation on monetary items. The loss (gain) on monetary position for Mexican subsidiaries is computed applying the NCPI to the net monetary position at the beginning of each month, excluding the financing contracted for the acquisition of foreign companies (see Note 3).

The loss (gain) on monetary position of foreign subsidiaries is computed by applying the monthly inflation rate of the country in which such subsidiary is located to the net monetary position at the beginning of each month, expressed in such country's local currency, then translating the monthly results into Mexican pesos using the year-end exchange rate (see Note 3).

p) Financial Instruments:

The Company contracts financial instruments to manage the financial risks associated with its operations. The premium paid for these instruments is recognized in prepaid expenses and its cost is recognized in earnings using the straight-line method. If the instrument is used to manage the risk related with the Company's operations, the effect is recorded in cost of sales and in operating expenses. If the instrument is used to manage the risks related with the financing operations, the effect is recorded in interest expense or in the foreign exchange loss (gain), depending on the related contract.

Prior to 2000, the Company recorded in the result of the year the effect of financial instruments at their maturity date except for foreign exchange options, for which the premium paid was amortized throughout the life of the contract.

Beginning in January 2001, Bulletin C-2 "Instrumentos Financieros" (Financial Instruments) went into effect, which requires an enterprise to record all financial instruments in the balance sheet as assets or liabilities. The bulletin requires that financial instruments entered into for hedging purpose be valued using the same valuation criteria applied to the hedged asset or liability. Additionally, the financial instruments entered into for purposes other than hedging the operations of the Company should be valued at fair market value. The difference between the financial instrument's initial value and fair market value should be recorded in the income statement at the end of the year. The initial effect of this new bulletin is included in net income, net of taxes, as a change in accounting principles, which amounted to Ps. 27,410

q) Restatement of Stockholders' Equity:

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

r) Cumulative Result of Holding Non-monetary Assets:

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

s) Comprehensive Income:

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

t) Earnings per Share:

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

Note 5. Other Accounts Receivable.

		2001		2000
The Coca-Cola Company	Ps.	**134,964**	Ps.	109,569
Alpla, S.A. de C.V.		**134,136**		-
Arteva, S.A. de C.V.		**8,565**		19,451
Insurance claims		**4,520**		4,811
Loans to employees		**4,468**		1,761
Guarantee deposits		**3,041**		3,644
Other		**37,525**		23,873
Allowance for doubtful accounts		**(13,135)**		(11,714)
	Ps.	**314,084**	Ps.	151,395

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

		2001		2000
Balance at the beginning of the year	Ps.	**11,714**	Ps.	15,774
Provision of the year		**19,313**		55,278
Write-offs		**(22,801)**		(52,798)
Restatement of initial balance		**4,909**		(6,540)
Balance at the end of the year	Ps.	**13,135**	Ps.	11,714

Note 6. Inventories.

		2001		2000
Finished products	Ps.	**186,347**	Ps.	188,502
Raw materials		**245,686**		132,273
Spare parts		**83,400**		79,458
Work-in-process		**1,107**		4,299
Advertising and promotional materials		**6,228**		4,314
Advances to suppliers		**43,421**		37,358
	Ps.	**566,189**	Ps.	446,204

Note 7. Prepaid Expenses.

Balance		2001		2000
Advertising	Ps.	**18,298**	Ps.	21,898
Foreign currency call option cost		**-**		13,991
Insurance		**3,217**		2,128
Other		**10,215**	Ps.	8,549
	Ps.	**31,730**	Ps.	46,566

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

Income Statement		2001		2000		1999
Advertising	**Ps.**	**504,004**	Ps.	604,758	Ps.	471,120
Promotional expenses		**99,100**		107,944		94,863

Note 8. Investments in Shares.

Company	Ownership		2001		2000
Coca-Cola FEMSA:					
Industria Envasadora de Querétaro, S.A. de C.V. (“IEQSA”)	19.60%	**Ps.**	**58,953**	Ps.	75,866
Coca-Cola FEMSA de Buenos Aires S.A.:					
Complejo Industrial Can, S.A. (“CICAN”)	48.10%		**78,759**		75,700
Other	Various		**1,712**		1,784
		Ps.	**139,424**	Ps.	153,350

Note 9. Property, Plant and Equipment.

		2001		2000
Land	**Ps.**	**738,234**	Ps.	735,142
Buildings, machinery and equipment		**7,861,653**		7,842,493
Accumulated depreciation		**(2,638,732)**		(2,433,920)
Construction in progress		**293,304**		280,749
Bottles and cases		**204,961**		311,561
	Ps.	**6,459,420**	Ps.	6,736,025

The Company identified fixed assets consisting mainly of land, buildings and equipment, in accordance with an approved program for the disposal of certain investments, which at December 31, 2001 and 2000, amounted to Ps. 25,225 (nominal value). Such assets have been valued at their estimated realizable value, according to applicable independent appraisals. Those fixed assets recorded at their estimated realizable value are considered monetary assets on which a loss on monetary position must be computed and recorded in the results of operations.

Primarily due to its production capacity rationalization program, together with the emphasis on non-returnable package, some subsidiaries of the Company recorded write-offs and adjustments to the assets value, based on current economic condition, of Ps. 142,822, Ps. 211,083 and Ps. 68,138 (nominal value) for the years ended December 31, 2001 2000 and 1999, respectively.

Note 10. Deferred Charges.

		2001		2000
Refrigeration equipment	**Ps.**	**305,337**	Ps.	214,302
Prepaid advertising		**17,226**		24,324
Leasehold improvements		**96,441**		75,757
Intangible labor asset (see Note 13)		**9,494**		5,369
Bonus program (see Note 14)		**2,836**		7,961
Yankee bond		**28,036**		33,453
Agreements with customers		**50,340**		48,008
Other		**10,214**		31,240
	Ps.	**519,924**	Ps.	440,414

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

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

		2001		2000
Emprex and Subsidiaries:				
Balance Sheet				
Assets (accounts receivable)	**Ps.**	**18,298**	Ps.	7,855
Liabilities (suppliers and other liabilities)		**110,637**		97,229

		2001		2000		1999
Income Statement						
Sales and other revenues	**Ps.**	**112,032**	Ps.	83,239	Ps.	47,590
Purchases of inventories		**521,132**		583,082		582,148
Operating expenses		**596,995**		646,204		546,631

		2001		2000
The Coca-Cola Company:				
Balance Sheet				
Assets (accounts receivable)	**Ps.**	**134,964**	Ps.	109,569
Liabilities (suppliers and other liabilities)		**144,658**		173,628

		2001		2000		1999
Income Statement						
Purchases of concentrate	**Ps.**	**2,756,348**	Ps.	2,743,344	Ps.	2,550,580
Interest expense		**21,994**		27,061		19,398

Other associated companies:

For the years ended December 31, 2001, 2000 and 1999, the companies subsidiaries received services from other companies where some stockholders have participation:

		2001		2000		1999
Interest:						
Expense	**Ps.**	**-**	Ps.	31	Ps.	988
Income		**59,318**		14,973		15,168

		2001		2000		1999
Purchases of canned products from:						
IEQSA	**Ps.**	**406,751**	Ps.	208,137	Ps.	251,396
CICAN		**247,484**		269,994		309,727

Note 12. Balances and Transactions in Foreign Currency.

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

			Thousands of U.S. Dollars					
Balances:		**Applicable Exchange Rate (1)**		**Short-Term**		**Long-Term**		**Total**
December 31, 2001:	**Assets**	**9.1800**	**$**	**182,935**	**$**	**-**	**$**	**182,935**
	Liabilities			**7,772**		**303,959**		**311,731**
December 31, 2000:	Assets	9.6100	$	19,858	$	-	$	19,858
	Liabilities			7,975		304,847		312,822

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

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

		2001		2000		1999
Income Statement						
Interest income	**$**	**2,333**	$	208	$	213
Interest expenses and commissions		**28,809**		28,428		31,821
	$	**(26,476)**	$	(28,220)	$	(31,608)

As of January 19, 2002, the issue date of these consolidated financial statements, the foreign currency position was similar to that at December 31, 2001, and the exchange rate was 9.1912 Mexican pesos per U.S. dollar.

Note 13. Labor Liabilities.

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

	2001
	Real Rates
Annual discount rate	**6.00 %**
Salary increase	**2.00 %**
Return on assets	**6.00 %**

In June 2001 the Company decreased the projected service obligation derived from a change in the actuarial calculations motivated by a confirmation received from the Mexican Social Security Institute ("IMSS") about the interpretation of Art. 28 of the Social Security Law in effect in July 1997, in which the IMSS increased the pensions to those insured for disability, old age, and discharge due to aging.

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

		2001		2000
Pension and retirement plans:				
Vested benefit obligation	**Ps.**	**63,042**	Ps.	48,823
Non-vested benefit obligation		**45,442**		96,645
Accumulated benefit obligation		**108,484**		145,468
Excess of projected benefit obligation over accumulated benefit obligation		**14,854**		28,517
Projected benefit obligation		**123,338**		173,985
Plan assets at fair value		**(38,067)**		(40,197)
Unfunded projected benefit obligation		**85,271**		133,788
Unrecognized net transition obligation services		**(1,057)**		(1,073)
Unrecognized actuarial net gain		**65,318**		5,404
Total	**Ps.**	**149,532**	Ps.	138,119

		2001		2000
Seniority premiums:				
Vested benefit obligation	**Ps.**	**5,090**	Ps.	5,401
Non-vested benefit obligation		**12,595**		11,597
Accumulated benefit obligation		**17,685**		16,998
Excess of projected benefit obligation over accumulated benefit obligation		**1,661**		1,635
Projected benefit obligation		**19,346**		18,633
Unrecognized net transition obligation services		**(2,208)**		(2,306)
Unrecognized net loss		**(8,539)**		(4,655)
		8,599		11,672
Additional labor liability		**9,494**		5,369
Total	**Ps.**	**18,093**	Ps.	17,041
Total Labor Liabilities	**Ps.**	**167,625**	Ps.	155,160

	2001	2000	1999
Expense for the Year:			
Pension and retirement plan	**Ps. 10,532**	Ps. 21,692	Ps. 18,218
Seniority premium	**4,727**	4,991	5,226
	Ps. 15,259	Ps. 26,683	Ps. 23,444

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

As of December 31, 2001 and 2000, the projected benefit obligation in some subsidiaries was less than the accumulated benefit obligation reduced by the amount of the plan assets at fair value, resulting in an additional liability, which is recorded as an intangible asset included in "Deferred charges, net" (see Note 10). The trust assets consist of fixed income and variable funds, valued at market. The contribution to the pension plan trust by certain subsidiaries amounted to Ps. 100 (nominal value) at December 31, 2001.

The integral result of financing includes the interest cost related to labor liabilities, net of return on assets. This amounted to Ps. 5,000, Ps. 9,833 and Ps. 9,015 for the year ended December 31, 2001, 2000 and 1999, respectively.

Note 14. Bonus Program.

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

The Company hedged its potential obligation under the bonus program by investing in cash-settled options related to FEMSA shares, and such purchased options were deposited in a trust. The cost of the purchased options has been recorded in "Deferred charges, net" and will be amortized over the two-year term of such options. As of December 31, 2001 and 2000, the unamortized cost of the options amounts to Ps. 2,836 and Ps. 7,961, respectively (see Note 10).

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

Additionally, during 1999 the Company established a new compensation plan for certain key executives, which consists of granting them an annual bonus to vest over the following five years, based on each executive's responsibilities within the organization and the executive's performance during the previous year.

For each key executive, on an annual basis, the net after-tax amount will be transferred to an irrevocable trust, which through the instruction of a technical committee can:

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

- Enter into call options of the stock mentioned above.

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

The annual bonus is recorded in the results of operations of the year. The amounts paid corresponding to 2001, 2000 and 1999 were Ps. 56,970, Ps. 51,469 and 19,244 , respectively.

Note 15. Bank Loans.

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

Bank	Interest Rate		2001	Interest Rate		2000
Fixed interest rate:						
Yankee Bond	8.95 %	**Ps.**	**1,836,000**	8.95 %	Ps.	2,006,568
Private placement with Citibank, N.A.	9.40 %		**918,000**	9.40 %		1,003,284
Banque Paribas	7.69 %		**-**	7.69 %		8,885
GE Capital Leasing	9.44 %		**38,580**	9.44 %		47,318
			2,792,580			3,066,055
Various	Libor + 2		**11,803**	Libor + 2		11,916
		Ps.	**2,804,383**		Ps.	3,077,971

Maturities of long-term bank loans as of December 31, 2001 are as follows:

Current maturities of long term debt	**Ps.**	**14,042**
2003		**8,158**
2004		**926,158**
2005		**6,185**
2006		**1,842,185**
2007		**6,109**
2008		**1,546**
	Ps.	**2,804,383**

As of December 31, 2001, the Company was in compliance with all restrictions and covenants established in its loan agreements.

Note 16. Fair Value of Financial Instruments.

The carrying amounts and fair value of the Company's financial instruments, are summarized as follows:

	2001				2000			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
Long-term debt	**$**	**305,488**	**$**	**338,467**	$	307,551	$	316,209
Cost paid for the call option agreements	**$**	**-**		**-**	$	1,394	$	552

a) Long Term Debt:
The fair value of long-term bank loans and syndicated loans is based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for debt with similar remaining maturities. The fair value of long-term Notes payable is based on quoted market prices.

b) Cash-Settled Options:
The terms of accounting for the cash-settled options are described in Note 14. The fair value is estimated based on quoted market prices to terminate the contracts at the reporting date. The Company does not anticipate canceling these agreements and expects them to expire as originally contracted.

c) Forward Agreements to purchase-sell U.S. dollars:
At December 31, 2001, the company does not have any forward agreements to hedge its operations denominated in U.S. dollars.

As of December 31, 2000, the Company had contracts to purchase and sale U.S. dollars, for a total amount of $131,400, that expired during 2001. The agreements for the sale of U.S. dollars were for the same amount and mature on the same date as the agreements to purchase US dollars. The goal was to manage the Company's foreign exchange risk. Additionally, the Company had 10 forward agreements to purchase Argentine pesos for a total amount of $100,000, which expired during November and December 2001.

The fair value is estimated based on quoted market prices of each agreement at year-end assuming the same maturity date originally contracted.

	2001		2000	
			Notional Amount	Fair Value
To cover Mexican Peso	-	-	$ 131,400	Ps. 38,626
Weighted average rate pesos per dollar:				
Contracted	-	-	10.605	
Quoted Market	-	-	10.302	
To cover Argentine Peso			$ 100,000	Ps. 7,023
Weighted average rate pesos per dollar:				
Contracted	-	-	1.070	
Quoted Market	-	-	1.077	

d) Call Options:

At December 31, 2000 the Company had 24 option agreements to buy U.S. dollars for an amount of $87,600, which expired during 2001.

Note 17. Stockholders' Equity.

At December 31, 2001, the capital stock of the Company was comprised of 1,425 million common shares without par value and with foreign ownership restrictions. Fixed capital amounts to Ps. 633,250 (nominal value) and variable capital may not exceed 10 times the minimum fixed capital stock.

The characteristics of the common shares are as follows:

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

In addition, 270,750 thousand series "B" shares and 204,000 thousand series "L" shares have been authorized and issued but not subscribed.

As of December 31, 2001, Coca-Cola FEMSA's capital stock is comprised as follows:

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

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

		Historical		Restatement		Restated Value
Capital stock	**Ps.**	**633,250**	**Ps.**	**1,608,529**	**Ps.**	**2,241,779**
Additional paid-in capital		**305,505**		**1,271,723**		**1,577,228**
Retained earnings from prior years		**2,689,156**		**1,832,104**		**4,521,260**
Net income for the year		**2,206,775**		**37,153**		**2,243,928**

At an ordinary stockholders' meeting held on March 1, 2001, dividends in the amount of 0.205 Mexican pesos per share (nominal value) were declared and were paid on March 2001.

The net income of each Mexican subsidiary is subject to a legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of capital stock. This reserve may not be distributed to stockholders during the existence of the subsidiary, except as stock dividends. As of December 31, 2001 the legal reserve for Coca-Cola FEMSA amounts to Ps. 126,650 (nominal value).

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

Beginning in 1999 the income tax rate increased from 34 to 35%, allowing the Company to defer payment of 3% in 1999 and 5% thereafter, until the date on which the earnings are distributed as dividends on consolidated taxable income. As of December 31, 2001, taxable income amounts to Ps. 5,107,746.

Note 18. Tax System.

a) **Income Tax:**

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

The statutory income tax rate is 35%. Beginning in 2003, the rate will be reduced one percentage point per year through to 2005 when the rate will be 32%. During the period of 1999 to 2001, the Company was allowed to defer payment (3% in 1999 and 5% in 2000 and 2001) until the date on which the earnings are distributed as dividends.

Coca-Cola FEMSA Buenos Aires calculates its income tax, which differs from accounting income mainly due to the differences in depreciation and labor liability provisions. The Argentine income tax rate is 35%.

b) **Tax on Assets:**

The Mexican tax on assets is computed at an annual rate of 1.8% based on the average of certain assets at a tax-restated value less certain liabilities. The tax on assets is paid only to the extent that it exceeds the income tax for the year. If in the year there is a tax on assets payment, this amount may be credited against any excess of income taxes over the tax on assets of the preceding three years. Additionally, this payment may be restated and credited against the excess of income taxes over asset taxes for the following 10 years.

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

c) **Employee Profit Sharing:**

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

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

d) **Deferred Income Tax:**

Beginning in 2000 a new accounting principle became effective revised Bulletin D-4, which requires that deferred tax assets and liabilities be recorded for all temporary differences between the accounting and tax bases of assets and liabilities.

The initial effect of the application of this bulletin generated a deferred tax liability of Ps. 766,177.

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

Deferred Income Tax		**2001**		**2000**
Current:				
Inventories	**Ps.**	**166,820**	Ps.	124,338
Non-Current:				
Property, plant and equipment (1)		**411,123**		536,231
Investments in shares		**25,873**		30,682
Deferred charges		**175,719**		114,687
Pension plan and seniority premium		**(58,668)**		(54,307)
Other reserves		**(58,239)**		(36,499)
	Ps.	**662,628**	Ps.	715,132

(1) Including bottles and cases

As mentioned in clause a) above, in accordance with the tax reform the statutory rate will be reduced from 35% to 32%, resulting in a reduction of the balance of deferred taxes as of December 31, 2001, based on the expected dates of reversal of the temporary differences.

The changes in the balance of the deferred income taxes for the year are as follows:

		2001		**2000**
Balance at beginning of the year	**Ps.**	**715,132**		766,177
Provision for the year		**50,163**	Ps.	57,643
Change on the statutory rate		**(24,531)**		-
Result of holding non-monetary assets		**(78,136)**		(108,688)
Balance at end of the year	**Ps.**	**662,628**	Ps.	715,132

e) **Tax Provisions:**

		2001		**2000**		**1999**
Current income tax	**Ps.**	**1,267,662**	Ps.	828,035	Ps.	705,336
Deferred income tax		**25,632**		57,643		-
Current employee profit sharing		**122,864**		118,105		109,832
	Ps.	**1,416,158**	Ps.	1,003,783	Ps.	815,168

As of December 31, 2001, the Company does not have unamortized tax loss carryforwards or refundable tax on assets.

	2001	**2000**	**1999**
Statutory tax rate:	**35.00%**	35.00%	35.00%
Permanent differences:			
Gain from monetary position	**(0.75)**	(0.70)	(7.80)
Inflationary component	**0.97**	0.50	7.99
Non-deductible expenses and other	**(0.15)**	3.16	4.73
Temporary differences:	**-**	-	(2.32)
Effective tax rate:	**35.07%**	37.96%	37.60%

Note 19. Commitments.

As of December 31, 2001 the Company leases certain machinery and distribution equipment.

- In dollars, for the leasing of production machinery and equipment and distribution equipment.

The contracts expire as follows:	$	Ps.
2002	674	6,187
2003	674	6,187
2004	674	6,187
2005	674	6,187
2006	674	6,187
2007	666	6,112
2008	167	1,533
	4,203	38,580

Note 20. Information by Segment.

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

2001		México		Buenos Aires (1)		Total
Total revenues	**Ps.**	**14,361,974**	**Ps.**	**3,141,879**	**Ps.**	**17,503,853**
Income from operations (1)		**3,622,376**		**173,889**		**3,796,265**
Interest expenses		**309,765**		**4,748**		**314,513**
Interest income		**258,679**		**13,713**		**272,392**
Income tax		**1,229,789**		**63,505**		**1,293,294**
Employee profit sharing		**122,864**		**-**		**122,864**
Depreciation and goodwill amortization		**492,159**		**270,560**		**762,719**
Breakage of bottles and cases, amortization and other		**314,220**		**20,278**		**334,498**
Total long-term assets		**6,691,291**		**1,324,952**		**8,016,243**
Total Assets (2)		**12,200,530**		**1,630,610**		**13,831,140**
Total liabilities (2)		**4,710,404**		**434,114**		**5,144,518**
Tax liability (3)		**1,081,858**		**130,171**		**1,212,029**
Capital expenditures (4)		**757,339**		**31,680**		**789,019**

2000		México		Buenos Aires (1)		Total
Total revenues	Ps.	13,697,277	Ps.	3,159,251	Ps.	16,856,528
Income from operations (1)		2,888,372		148,102		3,036,474
Interest expenses		344,374		5,621		349,995
Interest income		124,729		7,811		132,540
Income tax		822,851		62,827		885,678
Employee profit sharing		118,105		-		118,105
Depreciation and goodwill amortization		540,212		288,516		828,728
Breakage of bottles and cases, amortization and other		393,738		42,059		435,797
Capital expenditures (4)		827,338		56,795		884,133
Total long-term assets		7,448,944		842,139		8,291,083
Total Assets (2)		9,888,564		1,408,937		11,297,501
Total liabilities (2)		4,755,018		407,223		5,162,241
Tax liability (3)		813,052		159,647		972,699

1999		México		Buenos Aires (1)		Total
Total revenues	Ps.	11,910,112	Ps.	3,421,870	Ps.	15,331,982
Income from operations (1)		2,082,189		188,810		2,270,999
Interest expenses		458,116		8,371		466,487
Interest income		47,698		30,363		78,061
Income tax		625,957		79,379		705,336
Employee profit sharing		109,832		-		109,832
Depreciation and goodwill amortization		445,719		287,596		733,315
Breakage of bottles and cases, amortization and other		376,584		57,247		433,831
Capital expenditures (4)		843,765		62,901		906,666

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

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

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

It should be noted that this reconciliation to U.S. GAAP does not include the reversal of the restatement of the financial statements for inflation effects as required by Bulletin B-10 "Reconocimiento de los Efectos de Inflación en la Información Financiera" (Recognition of the Effects of Inflation in the Financial Information) of Mexican GAAP. The application of this bulletin represents a comprehensive measure of the effects of price-level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

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

a) Restatement of Prior Year Financial Statements:

As explained in Note 4 a), in accordance with Mexican GAAP, the financial information of foreign subsidiaries for prior years was restated using the inflation rate of the country in which the foreign subsidiary is located, then translated to Mexican pesos at the year-end exchange rate (see Note 3).

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

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

b) Deferred Promotional Expenses:

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

c) Start-up Expenses:

Under Mexican GAAP, start-up costs are capitalized and are amortized at the start of operations using the straight-line method.

Under U.S. GAAP, all start up costs must be expensed as incurred.

d) Restatement of Imported Machinery and Equipment:

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

Under U.S. GAAP, all machinery and equipment, both domestic and imported has been restated using NCPI inflation factors.

e) Capitalization of Interest Expense:

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

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

Accordingly, a reconciling item for the capitalization of a portion of the integral result of financing is included in the U.S. GAAP reconciliation of the net income and stockholders' equity. If the borrowings are denominated in U.S. dollars, the weighted-average interest rate on all such outstanding debt is applied to the balance of construction-in-progress to determine the amount to be capitalized, not to exceed interest expense. If the borrowings are denominated in Mexican pesos, the amount of capitalizable interest determined as noted above is reduced by the gain (loss) on monetary position associated with the debt.

f) Financial Instruments:

In accordance with Mexican GAAP as mentioned in Note 4 p), beginning in January 2001, bulletin C-2 became effective.

Under U.S. GAAP a new accounting principle, Statement of Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities", became effective in 2001. SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative instrument's fair value be recognized in:

- The net income of the year, or
- Other comprehensive income, if the instruments qualify as a hedged item. Thereafter, as the financial instruments mature, the gain or loss is recognized in the results of the year.

The initial effect of SFAS No. 133 should be included in the income statement or in other comprehensive income, net of taxes, as a change in accounting principle. For the purposes of SFAS No. 133, the Company has elected not to designate financial instruments as hedges for the derivative instruments contracted before December 31, 2000 and accordingly the entire effect of the valuation of those instruments was recognized in the income statement as a change in accounting principle under U.S. GAAP at January 1, 2001 (see Note 21 k)

Prior 2001, in accordance with Mexican GAAP, the income statement effect of forward contracts was recorded at the maturity of each contract. In accordance with U.S. GAAP the income statement effect was determined by the difference in the exchange rate at the date the contract was signed and the forward exchange rate, amortizing such difference on a straight-line basis throughout the life of the contract.

g) Deferred Income Taxes and Employee Profit Sharing:

As explained in Note 4 n), beginning in 2000 under Mexican GAAP a new accounting principle became effective. The Company follows SFAS No. 109, "Accounting for Income Taxes" for U.S. GAAP purposes, which differs from Mexican GAAP as follows:

- Under Mexican GAAP, deferred taxes are classified as non-current, while under U.S. GAAP the classification is based on the classification of the related asset or liability.
- Under Mexican GAAP the effects of inflation on the deferred tax balance generated by monetary items are recognized in the result on monetary position. Under U.S. GAAP the deferred tax balance is classified as a non-monetary item. As a result, the consolidated income statement differs in the presentation between the gain (loss) on monetary position and deferred income tax provision.
- Under Mexican GAAP a change in statutory tax rate approved prior to issuance of the financial statements is considered in the calculation of deferred taxes at the balance sheet date: Under U.S. GAAP, a change in statutory rate may not be considered until the enactment date, which is January 1, 2002 for changes mentioned in Note 18 a).
- Under Mexican GAAP deferred employee profit sharing is calculated considering only those temporary differences that arise during the year and which are expected to turn around within a defined year, while under U.S. GAAP the same liability method as used for deferred income taxes is applied. Also for U.S. GAAP purposes, employee profit sharing must be classified as an operating expense.

Additionally, the restatement of imported machinery and equipment and the capitalization of financing costs, the pension plan and financial instruments under Mexican GAAP have a different treatment than under U.S. GAAP (see Note 21 d, e, f and h). As a consequence, the related deferred income tax presented under Mexican GAAP is different than the effect calculated under US GAAP (see Note 18 d)

Reconciliation of Deferred Income Taxes		**2001**		**2000**
Deferred income taxes under Mexican GAAP	**Ps.**	**662,628**	Ps.	715,132
U.S.GAAP adjustments:				
Inventories		**-**		(249)
Reserves		**359**		(20,656)
Property, plant and equipment, net		**203,370**		219,410
Deferred charges		**24,531**		51,808
Pension plan and retirement plan		**1,320**		(4,452)
Investment in shares		**-**		15,054
Total Adjustments		**229,580**		260,915
Deferred income tax under U.S. GAAP	**Ps.**	**892,208**	Ps.	976,047

Deferred income tax under U.S. GAAP includes Ps. 166,820 and Ps. 124,084 as current deferred income tax as of December 31, 2001 and 2000, respectively.

The changes in the balance of the deferred income taxes for the year are as follows:

		2001		**2000**
Balance at beginning of the year	**Ps.**	**976,047**	Ps.	1,021,568
Provision for the year		**22,427**		61,884
Inflation effect		**(106,266)**		(107,405)
Balance at end of the year	**Ps.**	**892,208**	Ps.	976,047

Reconciliation of Deferred Employee Profit Sharing		2001		2000
Deferred employee profit sharing under Mexican GAAP	**Ps.**	**-**	Ps.	-
U.S. GAAP adjustments:				
Inventories		**47,679**		35,454
Property, plant and equipment, net		**238,656**		180,006
Deferred charges		**30,109**		16,111
Pension plan		**(14,989)**		(14,078)
Other reserves		**(8,440)**		(4,541)
Total Adjustments		**293,015**		212,952
Deferred employee profit sharing under U.S. GAAP	**Ps.**	**293,015**	Ps.	212,952

The changes in the balance of the deferred employee for the year are as follows:

		2001		2000
Balance at beginning of the year	**Ps.**	**212,952**	Ps.	287,387
Provision for the year		**81,680**		(53,513)
Inflation effect		**(1,617)**		(20,922)
Balance at end of the year	**Ps.**	**293,015**	Ps.	212,952

h) Pension Plan

Under Mexican GAAP, the liabilities for employee benefits are determined using actuarial computations, in accordance with Bulletin D-3, "Labor Obligations", which is substantially the same as U.S. GAAP's SFAS No. 87, "Employers' Accounting for Pensions".

The effect of the initial application of both bulletins generates a difference in the unamortized prior service costs and in the amortization expense. Under Mexican GAAP and U.S. GAAP, there is no difference in the liabilities for seniority premiums.

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

The required disclosures under SFAS No. 87 are as follows:

Net pension cost:		2001		2000		1999
Service cost	**Ps.**	**8,075**	Ps.	13,854	Ps.	11,525
Interest cost		**6,845**		11,167		10,140
Actual return on plan assets		**(2,956)**		(2,545)		(2,855)
Net amortization and deferral		**(1,788)**		(398)		4,971
Net pension cost (U.S. GAAP)		**10,176**		22,078		23,781
Net pension cost recorded (Mexican GAAP)		**10,532**		21,692		18,218
Additional (income) expense that must be recognized under U.S. GAAP	**Ps.**	**(356)**	Ps.	386	Ps.	5,563

Pension liability		2001		2000
Projected benefit obligation	**Ps.**	**122,477**	Ps.	186,711
Plan assets at fair value		**(38,067)**		(40,197)
Unfunded projected benefit obligation		**84,410**		146,514
Unrecognized net transition obligation		**(5,094)**		(5,495)
Unrecognized net gain (loss)		**66,221**		(6,700)
Total unfunded accrued pension liability under U.S. GAAP		**145,537**		134,319
Total unfunded accrued pension liability under Mexican GAAP		**(149,532)**		(138,118)
Liability that must be canceled under U.S. GAAP	**Ps.**	**(3,995)**	Ps.	(3,799)

The changes during the year in the projected benefit obligation of the pension plan as well as the changes in the plan assets at market value for the year and year-ended December 31, 2001 and 2000 are as follows:

Change in Projected Benefit Obligation		2001		2000
Obligation at the beginning of the year	**Ps.**	**186,711**	Ps.	189,368
Service cost		**8,075**		13,854
Interest cost		**6,845**		11,167
Actuarial loss		**(73,965)**		(22,621)
Benefits paid		**(5,189)**		(5,057)
Obligation at the end of the year	**Ps.**	**122,477**	Ps.	186,711
Change in Plan Pension. Plan Funds:		**2001**		**2000**
Balance at the beginning of the year	**Ps.**	**40,197**	Ps.	40,081
Actual return on plan assets in real terms		**2,956**		2,545
Actuarial gain		**103**		2,628
Benefits paid.		**(5,189)**		(5,057)
Balance at the end of the year	**Ps.**	**38,067**	Ps.	40,197

i) Comprehensive Income:

In Note 22 c), a reconciliation of majority comprehensive income under Mexican GAAP to U.S. GAAP is presented. The difference is generated by the adjustment to net income explained in Note 22 a) and the result of non-monetary assets to reconcile to U.S. GAAP.

j) Statement of Cash Flows:

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

In accordance with U.S. GAAP the Company follows SFAS No. 95 "Statement of Cash Flow" which requires the presentation of a statement of cash flows.

The following presents a reconciliation between Mexican GAAP and U.S. GAAP of the resources generated by or used in operating, investing and financing activities:

		2001		2000		1999
Resources generated by operations under Mexican GAAP	**Ps.**	**3,414,658**	Ps.	2,526,612	Ps.	2,909,581
Inflationary effects		**(148,970)**		226,649		97,810
Foreign exchange loss (gain)		**(69,039)**		357,789		37,890
Property, plant and equipment write off		**122,467**		5,256		23,195
Resources generated by operations under U.S. GAAP	**Ps.**	**3,319,116**	Ps.	3,116,306	Ps.	3,068,476
Resources used in investing activities under Mexican GAAP	**Ps.**	**(789,019)**	Ps.	(884,133)	Ps.	(906,666)
Property, plant and equipment write off		**(122,467)**		(5,256)		(23,195)
Inflation effect		**-**		(50,296)		(65,216)
Net Cash Flow (used in) investing activities under U.S. GAAP	**Ps.**	**(911,486)**	Ps.	(939,685)	Ps.	(995,077)
Resources generated by (used in) financing activities under Mexican GAAP	**Ps.**	**(91,509)**	Ps.	(380,782)	Ps.	(1,642,716)
Inflationary effects		**148,970**		(40,188)		21,575
Foreign exchange loss (gain)		**69,039**		(357,789)		(37,890)
Resources generated by (used in) financing activities under U.S. GAAP	**Ps.**	**126,500**	Ps.	(778,759)	Ps.	(1,659,031)

Complementary Information about Cash Flow:		2001		2000		1999
Interest expense	Ps.	**37,133**	Ps.	194,145	Ps.	364,370
Income tax and tax on assets paid		**1,354,350**		1,302,621		504,499

k) Summarized Financial Information under US GAAP

Income Statement		2001		2000		1999
Total revenues	Ps.	**17,503,853**	Ps.	17,315,084	Ps.	16,154,568
Income from operations		**3,585,916**		2,982,139		2,202,964
Income before income tax		**3,451,781**		2,359,120		1,835,000
Income taxes		**1,275,330**		899,053		721,511
Net income under U.S. GAAP		**2,176,451**		1,460,067		1,113,488
Cumulative translation result		**354,099**		(42,051)		234,909
Result of holding non-monetary assets		**(905)**		(102,734)		(349,074)
Comprehensive Income under U.S. GAAP	Ps.	**2,529,645**	Ps.	1,315,282	Ps.	999,323

Balance Sheet		2001		2000
Current assets	Ps.	**5,814,897**	Ps.	3,508,160
Fixed assets		**7,068,492**		7,881,947
Other assets		**1,460,382**		2,379,451
Total assets		**14,343,771**		13,769,558
Current liabilities		**2,532,329**		2,479,994
Long-term liabilities		**2,810,146**		3,130,444
Other liabilities		**1,532,672**		1,388,540
Total liabilities		**6,875,147**		6,998,978
Stockholders' equity		**7,468,624**		6,770,580
Total liabilities and stockholders' equity	Ps.	**14,343,771**	Ps.	13,769,558

Statements of Changes in Stockholders' Equity under U.S. GAAP:		2001		2000		1999
Stockholders' equity under U.S. GAAP as of the beginning of the year	Ps.	**6,770,580**	Ps.	5,752,174	Ps.	5,249,497
Dividends decreed		**(301,590)**		(246,310)		(199,329)
Other comprehensive income		**(1,176,817)**		(195,351)		(411,482)
Net income under U.S. GAAP		**2,176,451**		1,460,067		1,113,488
Stockholders' equity under U.S. GAAP as of the end of the year	Ps.	**7,468,624**	Ps.	6,770,580	Ps.	5,752,174

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

a) Reconciliation of Net Income:

		2001		2000		1999
Net income under Mexican GAAP	Ps.	**2,243,928**	Ps.	1,329,389	Ps.	1,060,519
U.S. GAAP adjustments:						
Restatement of prior year financial statements (Note 21 a)		**-**		19,504		50,098
Deferred promotional expenses (Note 21 b)		**-**		-		-
Restatement of machinery and equipment (Note 21 d)		**(6,160)**		(24,044)		(15,333)
Capitalization of interest expense (Note 21 e)		**16,802**		673		24,283
Gain on monetary position resulting from U.S. GAAP adjustments (Note 4 n)		**-**		85,659		131,080
Deferred income taxes (Note 21 g)		**3,205**		(4,241)		(106,467)
Deferred employee profit sharing (Note 21 g)		**(81,680)**		53,513		(25,129)
Pension plan cost (Note 21 h)		**356**		(386)		(5,563)
Total adjustments		**(67,477)**		130,678		52,969
Net income under U.S. GAAP	Ps.	**2,176,451**	Ps.	1,460,067	Ps.	1,113,488

Weighted average common shares outstanding		**1,425,000**		1,425,000		1,425,000
Net income per share under U.S. GAAP	**Ps.**	**1.53**	Ps.	1.02	Ps.	0.78

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

b) Reconciliation of Stockholders' Equity:

		2001		**2000**
Stockholders' equity under Mexican GAAP	**Ps.**	**7,474,593**	Ps.	5,162,561
U.S. GAAP adjustments:				
Restatement of prior year financial statements (Note 21 a)		**-**		1,637,917
Restatement of machinery and equipment (Note 21 d)		**437,945**		379,599
Capitalization of interest expense (Note 21 e)		**74,686**		60,571
Deferred income taxes (Note 21 g)		**(229,580)**		(260,915)
Deferred employee profit sharing (Note 21 g)		**(293,015)**		(212,952)
Accumulated pension plan liability (Note 21 h)		**3,995**		3,799
Total adjustments		**(5,969)**		1,608,019
Stockholders' equity under U.S. GAAP	**Ps.**	**7,468,624**	Ps.	6,770,580

c) Reconciliation of Comprehensive Income:

		2001		**2000**		**1999**
Comprehensive income under Mexican GAAP	**Ps.**	**2,613,622**	Ps.	1,108,045	Ps.	739,359
Adjustments for U.S. GAAP:						
Net income (loss) (Note 22 a)		**(67,477)**		130,678		52,969
Other comprehensive income		**(16,500)**		76,559		206,995
Comprehensive income under U.S. GAAP	**Ps.**	**2,529,645**	Ps.	1,315,282	Ps.	999,323

Note 23. Future Impact of Recently Issued Accounting Standards Not Yet in Effect

During the year 2001, the Financial Accounting Standards Board (FASB) issued the following SFAS:

- In June 2001, it issued SFAS No. 141 "Business Combinations", which is effective for all business combinations initiated after June 30, 2001. SFAS No. 141 requires all business combinations to be accounted for using the purchase method.

  The Company does not anticipate that this new standard will have any impact on its financial position or result of operations.

- In June 2001, it issued SFAS No. 142 "Goodwill and Other Intangible Assets", which is effective for the Company beginning in 2002 except as mentioned in Note 21 d). With the adoption of SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life, but rather it will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Additionally, negative goodwill is recognized as an extraordinary gain at the time of the business combination.

  The Company anticipates that the adoption of this new standard will result in the discontinuation of annual goodwill amortization, for U.S. GAAP purposes, which amounted to Ps. 111,163, in 2001. Additionally, the Company does not estimate to adjust the goodwill value already recorded and there is not any negative goodwill value to be eliminated.

- In August 2001 it issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Company plans to adopt this new standard in 2002. The SFAS No. 144 supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" although it retains the fundamental provisions of SFAS No. 121. SFAS No. 144 also expands the scope of discontinued operations presentation to a component of an entity and eliminates the exception to consolidation for a temporarily controlled.

The Company does not anticipate that this new standard will have a significant impact on its financial position or results of operations.

- In June 2001 it issued SFAS No. 143, “Accounting for Asset Retirement Obligation”, which is effective for the Company beginning in 2003. The Company plans to adopt this new standard in 2003. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and / or the normal operation of a long-lived asset, except for certain obligations of lessees. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount for the long-lived asset.

  The Company does not anticipate that this new standard will have an impact on its financial position or results of operations.

- During 2000, the Financial Accounting Standards Board’s Emerging Issues Task Force (EITF) added to its agenda various issues such as the recognition, measurement, and income statement classification of certain promotional payments. In May 2000, the EITF reached a consensus on Issue 00-14, “Accounting for Certain Sales Incentives.” EITF 00-14 addresses the recognition and income statement classification for sales incentives. In April 2001, the EITF reached a consensus on Issue 00-25, “Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor’s Products”. EITF 00-25 addresses the income statement classification of consideration, other than that directly addressed in EITF 00-14, from a vendor to a reseller, or another party that purchases the vendor’s products for resale. In 2001, these EITF’s were subsequently combined and replaced by EITF 01-09, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products)”, which should be applied no later than in financial statements for annual or interim periods beginning after December 15, 2001.

  Under US GAAP, the Company will adopt this new guidance in 2002. Although the Company does not expect the adoption of EITF 01-09 to have any effect on its operations, it is analyzing the impact it may have on certain reported classifications. Upon adoption, the Company may be required to reclassify certain prior period amounts to conform to these reporting requirements.

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: July 1, 2002

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

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