Coca-Cola FEMSA 2000 Annual Report

REPLICATING core competencies...

...CREATES strength IN MAXIMIZING SHAREHOLDER VALUE

Coca-Cola FEMSA delivers an average of two million unit cases a day to 345,200 retailers who serve a population of over 39 million people. In addition, we are working to deliver value to our shareholders with an attractive return on their investment. The key factors in improving profitability are increasing the sales volume of our products at a competitive price while improving the efficiency of our operations. To achieve these goals our efforts are focused on standardizing our core competencies of:

- **Product Portfolio: Expanding presentation and brand portfolios in order to meet consumer demand and to promote market share growth.**
- **Production and Distribution: Rationalizing bottling capacity to increase the utilization of existing assets and streamlining production and distribution processes for improved operating efficiencies, while integrating operations through advanced information technology.**
- **Marketing: Implementing marketing strategies and programs designed to increase consumer demand for the Company's products.**
- **Management Expertise: Evaluating the acquisition of new bottling franchises within Latin America and enhancing the quality of management at all levels.**

PROFILE

Coca-Cola FEMSA bottles and distributes Coca-Cola trademark products in the Valley of Mexico (Mexico City and surrounding areas), the Southeast of Mexico (the States of Oaxaca, Tabasco, and Chiapas, and some areas of the State of Veracruz), and in Buenos Aires, Argentina (Federal Capital and surrounding areas).

Our capital stock is owned 51% by Fomento Económico Mexicano S.A. de C.V (FEMSA), 30% by a wholly–owned subsidiary of The Coca-Cola Company, and 19% by the public. The publicly-traded shares of Coca-Cola FEMSA (KOF) are L series shares with limited voting rights and are listed on the Bolsa Mexicana de Valores (BMV:KOFL) and as American Depository Receipts (ADR) on the New York Stock Exchange (NYSE: KOF). Each ADR represents ten Series L shares.

At December 31, 2000 the capital stock of Coca-Cola FEMSA was represented by 1,425 million shares of fixed capital.

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FINANCIAL AND OPERATING HIGHLIGHTS

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

Millions of constant Mexican pesos or U.S. dollars as of December 31, 2000 (except volume and per share data)	**2000 (US$.)**	**2000 (Ps.)**	1999 (Ps.)	% Change	1995 (Ps.)	Five-Year Real Compounded Growth Rate %
Total revenue	**1,726**	**16,585**	15,155	9.43%	10,848	8.86%
Cash operating profit[1]	**438**	**4,212**	3,366	25.29%	1,646	20.70%
Net income	**134**	**1,292**	1,044	23.71%	678	13.77%
Total assets	**1,329**	**12,767**	11,908	7.21%	9,297	6.55%
Long-term debt	**308**	**2,956**	3,130	(6.22)%	3,846	(5.26)%
Total stockholders' equity	**667**	**6,410**	6,277	2.12%	4,191	8.87%
Sales volume (Million unit cases)	**583**	**583**	544	7.13%	355	10.43%
Capital expenditures	**93**	**895**	921	(2.85)	1,270	(6.76)
Book value per share[2]	**4.7**	**4.5**	4.4	2.27%	2.7	10.84%
Net income per share[2]	**0.94**[3]	**0.91**	0.73	19.10%	0.48	13.85%

(1) Operating income plus depreciation, amortization and other non-cash items.

(2) Based on 1,425 million shares outstanding.

(3) Earnings per ADR. Based on 142.5 million ADRs outstanding.

Notes: In order to eliminate the effects of inflation from the figures of previous periods at Coca-Cola FEMSA's Mexican and Argentine subsidiaries, the financial information presented in this report is expressed in Mexican Pesos or US dollars with purchasing power of December 31, 2000.

Coca-Cola FEMSA Buenos Aires keeps its financial records in Argentine Pesos. In order to consolidate these records with those of the Mexican subsidiaries, Argentine Pesos are inflated using the Argentine CPI and translated into Mexican Pesos using the year-end exchange rate.

24% OF TOTAL COCA-COLA COMPANY'S MEXICAN SALES

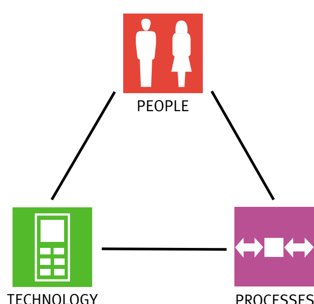
35% OF TOTAL COCA-COLA COMPANY'S ARGENTINE SALES

3% OF TOTAL COCA-COLA COMPANY'S GLOBAL SALES

We are committed to building on our past success, looking for opportunities to improve our operations and to grow the geographical areas in which we serve. With this goal we believe we can reach our vision to be the best bottler in the world recognized by our operational excellence and management strength. Today, we are well on our way, providing volume growth that has continually exceeded the growth of Coca-Cola products throughout Latin America while earning a return on our investments above our cost of capital.

José Antonio Fernández
Chairman of the Board

Carlos Salazar Lomelín
Chief Executive officer



Dear Shareholders: As with all years, 2000 presented us with a series of opportunities and challenges. Overall, we must conclude that the final results were very positive and the lessons we learned in facing these obstacles will prepare us better as a Company and as a team to improve in the future.

Our financial results are clear. With a 7% increase in volume, improved real pricing and a 25% improvement in cash operating profit, we surpassed even the most optimistic estimates made.

We believe that the success we achieved was the result of a reliance on clear processes, established over many years. By integrating these processes, differentiated and supported by our dedicated employees, with innovative advanced information systems, we recognized significant opportunities in the market, lowered our risks, and increased our asset utilization.

Designing a product portfolio that meets the needs and preferences of each consumer while maintaining the important brand equity of our brands and providing superior market execution both improves the relationship with our retailers and assures the availability of cold products. These are the variables that explain our continued increase in per capita consumption and the improvement in our sales mix. Also, our knowledge of price elasticity and channel segmentation has allowed Coca-Cola FEMSA to take advantage of and maximize the opportunities for improved profitability.

We are dedicated to continuous improvement, aiming to understand all the opportunities throughout our value chain. We must focus on increasing our efficiency, improving our cost structure and achieving a better dilution of our fixed costs.

For example, our integrated information systems will assist us in replicating our best practices throughout our organization. These practices will guide us as we manage our investment and take advantage of our growth opportunities. They represent a clear competitive strength that promotes increased value for our shareholders.

Going forward, we continue to believe that Coca-Cola FEMSA is a strong growth vehicle. Everyday we are developing and replicating our business practices and we believe that through these efforts we can:

- *Increase the per capita consumption of our products in our current territories.*

- *Successfully introduce new brands and flavors that satisfy and refresh the consumers in the markets we currently serve.*
- *Replicate our business practices in the future within any new territories.*
- *Manage a professional relationship with The Coca-Cola Company where our operational and financial successes are recognized and respected.*

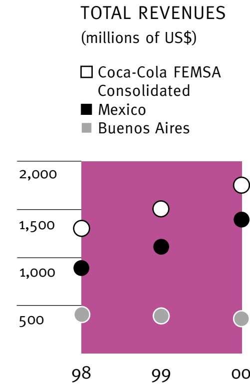
Although we continue to face obstacles, we believe we can grow the profitability of Coca-Cola FEMSA. Without a doubt the economic problems and the competitive environment in Argentina present continued challenges. Also, we face distribution obstacles and low per capita consumption in the Southeast territory. Even in the Valley of Mexico, we are presented daily with challenges in managing efficiently our distribution.

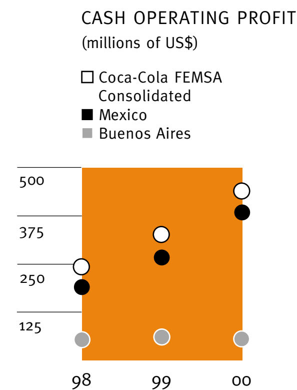
We are confident that through continuous improvement of our business practices and operational processes, and our exploitation of technology, we can build the efficiency of each territory operated by Coca-Cola FEMSA. As they have done in the past, our talented and dedicated employees will meet the challenges faced with profitable solutions.

We are very proud of our accomplishments over the last twelve months, however we are not yet satisfied. We have confidence in the higher potential of our Company and of our people.

Our critical success factors for 2001 are ambitious and represent strong increases in profitability and sales growth. These goals are based on our capacity to replicate our operational expertise and retail excellence, as well as, our dedication to building on our past; learning more each day from our new experiences.

Thank you for your continuous support.





JOSÉ ANTONIO FERNÁNDEZ,
Chairman of the Board

CARLOS SALAZAR LOMELÍN,
Chief Executive Officer

8.9%
FIVE-YEAR CAGR INCREASE IN TOTAL REVENUES
(including acquisitions)

27.3%
FIVE-YEAR CAGR INCREASE IN OPERATING PROFIT
(including acquisitions)

20.7%
FIVE-YEAR CAGR INCREASE IN CASH OPERATING PROFIT
(including acquisitions)

13.8%
FIVE-YEAR CAGR INCREASE IN NET INCOME
(including acquisitions)

Coca-Cola FEMSA is working daily to provide refreshment to over 39 million people, distributing 20 different flavors in over 100 distinct packages.

Product Portfolio Strategy

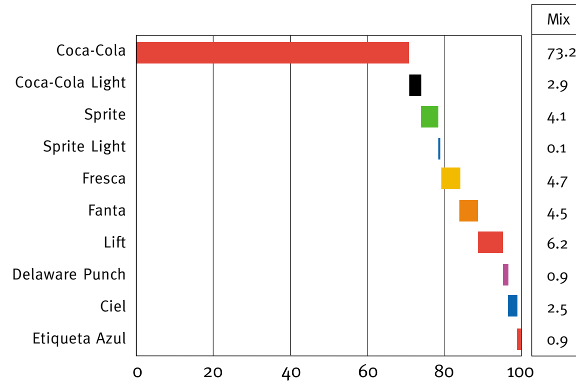
In 2000, Coca-Cola FEMSA continued to develop its product portfolio architecture to better meet the demands of the markets served while increasing the overall profitability of the Company. To the list of our existing premium products, we added beverages that complement our portfolio by providing both price and beverage category diversity. This process is continuous and Coca-Cola FEMSA is analyzing other new beverages on an on-going basis.

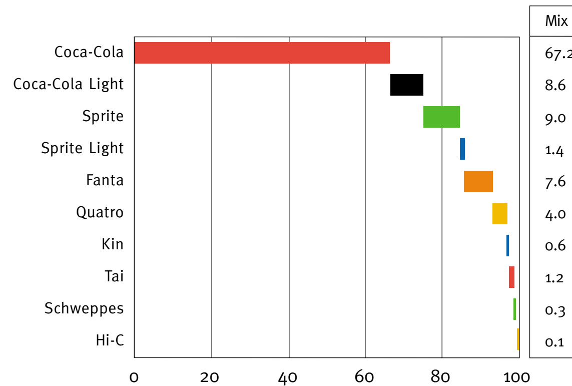
As part of our portfolio expansion strategy, several new brands were introduced in Argentina during 2000. At the high end, Schweppes Tonic and Citrus drinks are sold as niche products with high margins. At lower price points, products like Taí and, during First Quarter 2001, Crush and Kin soda water will support our efforts to compete successfully with local low-price brands. Also, the December launch of Hi-C, a juice-based product, expanded the Company's portfolio outside the carbonated soft drink beverage category.

As for our packaging portfolio, Coca-Cola FEMSA refocused its packaging mix strategy during 2000, reinforcing our commitment to returnable packages. Diversity in packaging allows us to better segment our markets. Today, we are selling product in returnable packages primarily to small Mom and Pop stores. The lower-priced returnable presentations support these retailers with a package in which they can compete with the supermarkets. The returnable packages, which are very profitable for Coca-Cola FEMSA, also provide a barrier to entry for low-price brands and support the fragmented channel market that exists in Mexico. The returnable package is also important in Argentina where we are using the 1.5 Liter returnable package to offer refreshment to those who are suffering most from the current harsh economic climate. In addition, during First Quarter 2001, we will introduce several new returnable packages specifically targeted at low-income areas where consumers have been impacted the most by the Argentine recession.

Fanta
Hi-C
Tai
Ciel
Sprite
Sprite light
Coca-Cola
Etiqueta Azul
Delaware Punch
Schweppes
Soda Kin
KIN
Lift
Coca-Cola light
Fresca

Through our sales force and information systems, Coca-Cola FEMSA has gained a better understanding of the consumer needs and preferences in the areas of packaging and products. With this information we are working to build a product portfolio that will meet the demands of our distinct markets while increasing the overall profitability of the Company.





In Mexico, the most popular soft drink presentations are the 2.0 liter returnable PET bottle, the 600 ml non-returnable PET contour bottle and the 2.0 liter non-returnable PET bottle, which accounted for 33%, 22% and 15% of total sales volume, respectively. The sale of returnable presentations in Mexico has stabilized after several years of an accelerated trend towards non-returnables. Returnable plastic and glass presentations offer consumers a more affordable, albeit less convenient, option. On average, a returnable package is priced 18% less than the same size non-returnable package. For example, for brand Coca-Cola in the Valley of Mexico, a 2 liter returnable plastic bottle sells today for net Ps. 11.00 (approximately, US$1.15). The 2 liter non-returnable package sells for Ps.13.00.

11.6%
FIVE YEAR CAGR INCREASE IN VOLUME

101
NUMBER OF DISTINCT SKUs*
* SKU: SIGNIFIES AN INDEPENDENT PACKAGE SIZE OF A PARTICULAR PRODUCT FLAVOR

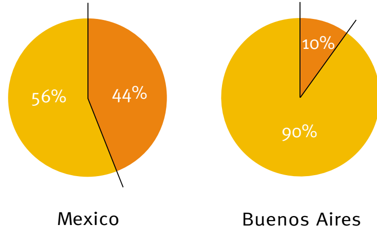
76.1%
OF TOTAL VOLUME THAT WAS A COLA PRODUCT

PACKAGING MIX SUMMARY

(% of total volume)

Returnable

Non-Returnable (Includes Fountain)



Although the Company's packaging mix shifted quickly from 1994 to 1999 (Mexico: 12% to 55%; Argentina 30% to 90%), during 2000 the trend stabilized.

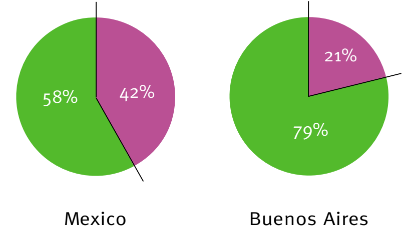
The Company believes that going forward, the packaging mix of returnable and non-returnable will remain relatively unchanged.

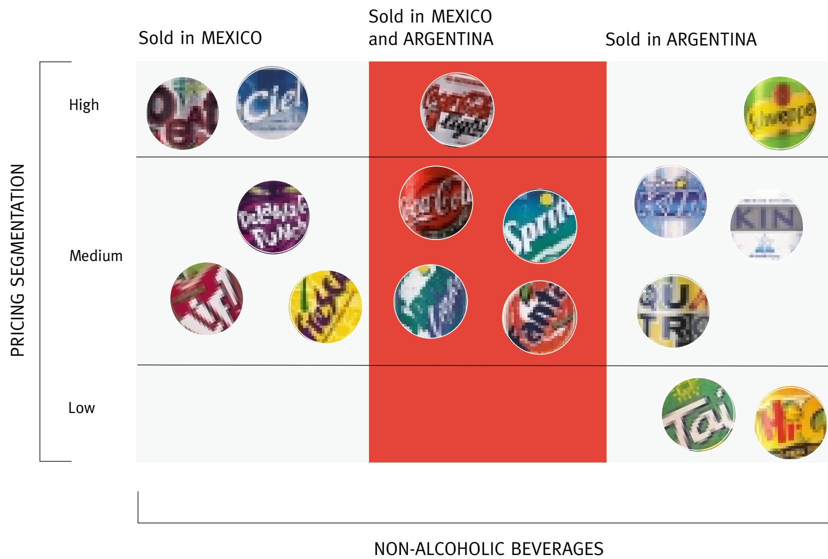
PERSONAL/MULTI-SERVINGS MIX

(% of total volume)

Personal

Multi-Servings (1 liter and larger)





In Argentina, 2.25 liter and 1.5 liter non-returnable PET bottles accounted for 40% and 29% of total 2000 soft drink sales volume, respectively. The returnable package is of less importance in this market, representing only 10% of total sales volume. However, in less-affluent areas, Coca-Cola FEMSA continues to provide consumers with more affordable returnable presentations. For example, the net savings after the return deposit, of a 1.5 liter returnable plastic Coca-Cola is approximately 25% less expensive than the comparable non-returnable plastic product.

6.6%

FIVE YEAR CAGR INCREASE IN VOLUME (NON-COMPARABLE)

79

NUMBER OF DISTINCT SKUs*

* SKU: SIGNIFIES AN INDEPENDENT PACKAGE SIZE OF A PARTICULAR PRODUCT FLAVOR

75.8%

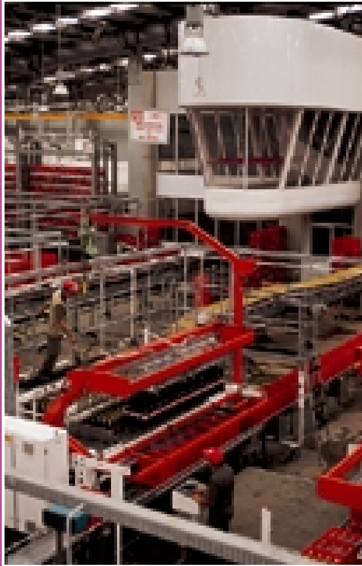
OF TOTAL VOLUME THAT WAS A COLA PRODUCT

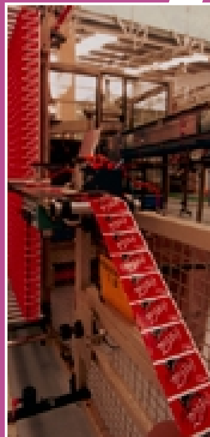
Production and Distribution Strategy

Over the past several years, Coca-Cola FEMSA adapted quickly to the different challenges it faced in its three territories. Average consolidated volume growth of 10.4% over the last five years, an accelerated shift in packaging from returnable towards more convenient non-returnable plastic packages and an expanding product portfolio required the Company to invest in capacity and its distribution system to meet the rapidly changing operational needs.

During 2000, Coca-Cola FEMSA leveraged its market understanding and advanced production and distribution systems to improve sales revenue while streamlining and improving productivity in its operations. Our production system became more efficient, allowing us to increase total capacity within fewer plants. In fact, reducing bottlenecks, improving asset utilization and exploiting advanced information technology enabled the Company to close three plants in Mexico and one plant in Argentina, while slightly increasing our installed bottling capacity. In 2001 and beyond, the Company will not only reap the benefits of the more efficient production system achieved this year, but will continue to alleviate bottlenecks, better utilize its information systems and continue to improve its production practices.

In addition to improving the productivity within our existing plants, Coca-Cola FEMSA expects to complete phase two of the Toluca mega-plant in the second half of 2001, augmenting the installed capacity by approximately 60 million unit cases. The Toluca plant began operating the first of three potential modules in July 1998 and currently represents 140 million unit cases of installed capacity. This plant is the newest and most efficient production facility that Coca-Cola FEMSA operates.





Coca-Cola

With fewer, more efficient production facilities, more importance is put on the distribution logistics; transporting product longer distances to reach our distribution centers and, finally, the consumer. In Mexico, the Company's complex distribution system utilizes a fleet of company-owned trucks, electric carts and hand-trucks, and third-party distribution systems in order to comply with local environmental and traffic regulations. With these vehicles, the Company's products are distributed from 63 distribution centers to over 275,200 retailers. In Argentina, Coca-Cola FEMSA operates five distribution centers and distributes its products by means of its fleet of trucks, subcontractors and independent wholesalers[1]. Through these means, we reach over 70,000 clients in greater Buenos Aires.

Although we believe we have one of the most advanced distribution systems in Latin America, delivering over one million unit cases daily in the Valley of Mexico alone, the Company sees significant opportunities to improve the profitability of this area. We have already begun several projects that are focused on better utilizing our inventory control information systems to further reduce our distribution costs.

In both production and distribution, we have set lofty goals for ourselves to continue to find more efficient processes that can be shared as best practices throughout our organization. By replicating these practices and rewarding innovative thinking by our employees, we can achieve production and distribution systems that are standardized and continually improving – allowing for additional productivity increases and strengthening our core competencies.

The restructuring and standardization of our operations, while adapting to diverse cultural and economic environments, is another core competency of Coca-Cola FEMSA that will allow us to replicate our success in any future expansions.

During 2000, our focus was on streamlining our production process and better utilizing our fixed assets. While average annual capital expenditures over the past five years were approximately US$120 million, total investments reached US$93 million during 2000. These investments were focused on building additional capacity within our more efficient facilities, placing cold drink equipment and advancing our information technology.

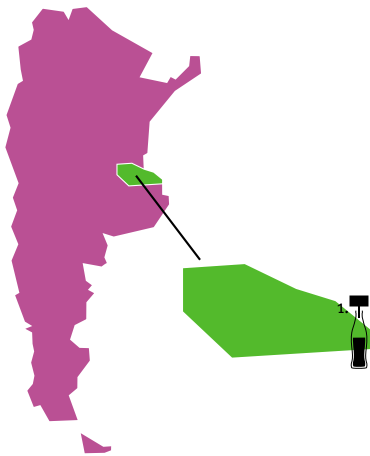
[1] Independent wholesalers distribute approximately 15% of the Company's Argentine sales.

Coca-Cola

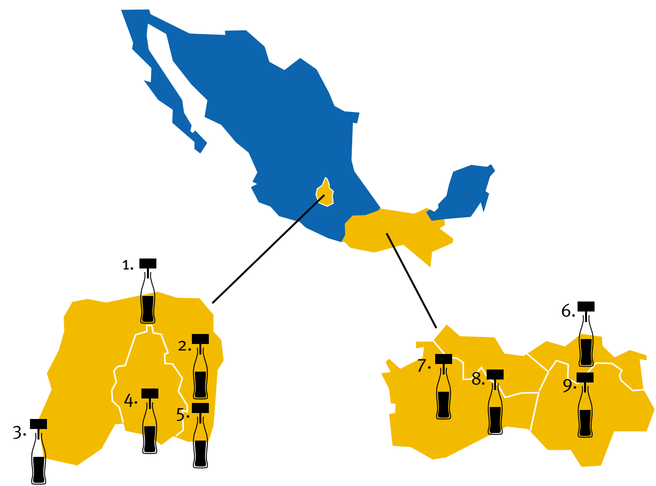
Coca-Cola

Capital expenditures (including investments in bottles and cases and deferred charges) for 2000 reached US$93 million. In 2001, Coca-Cola FEMSA estimates capital expenditures will remain at the current level. These investments include the cost to begin the second phase of the Toluca plant (originally opened July 1998), expanding its current annual capacity of approximately 140 million unit cases by over 40%.

	Valley of Mexico	Southeast Mexico	Buenos Aires
Plants			
2000	**5**	**4**	**1**
1999	6	6	2
Distribution centers			
2000	**19**	**44**	**5**
1999	20	39	5
Routes			
2000	**1,083**	**451**	**211**
1999	1,135	427	282
Employees		Mexico	
2000		**12,821**	**2,233**
1999		12,889	2,384



1. Alcorta



1. Cuautitlán
2. Cedro
3. Toluca*
4. Tlalpan II
5. Reyes
6. Villahermosa
7. Oaxaca
8. Juchitán
9. San Cristóbal

(*Immediately outside The Valley of Mexico)

In 2000, within our plants in the Valley of Mexico and in the Southeast, Coca-Cola FEMSA produced over 460 million unit cases, delivering more than 1.6 million unit cases daily. The product was distributed through a total of 63 distribution centers that then serviced over 275,000 retailers.

The planning and coordination necessary for this type of production and distribution effort is significant. Utilizing both the sophisticated SAP enterprise resource planning software and the Numetrix distribution software, our employees can better perform their responsibilities, improving the productivity and overall efficiency of our operations.

611.7
INSTALLED CAPACITY MEASURED IN MILLION UNIT CASES

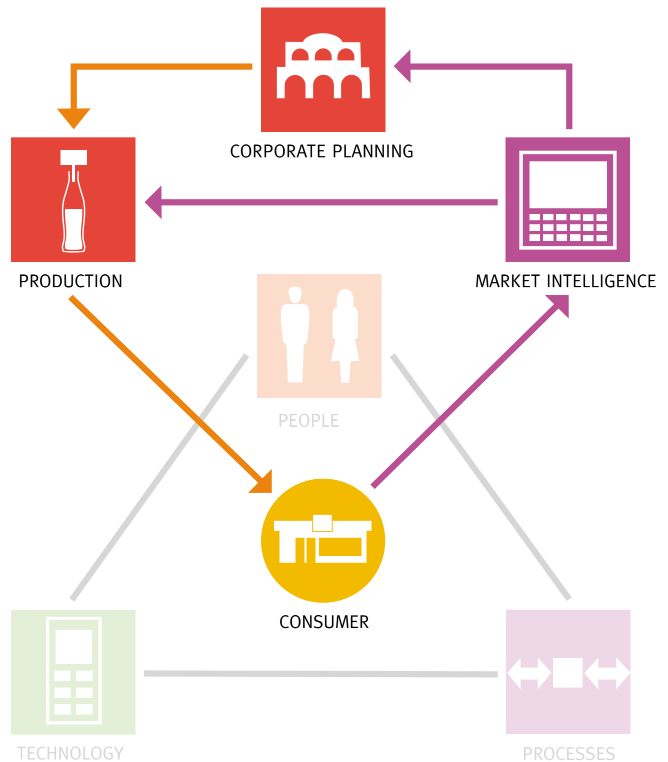
71%
CAPACITY UTILIZATION

25
AVERAGE ANNUAL CAPACITY PER LINE MEASURED IN MILLION UNIT CASES

High-energy people, motivating management and world-class information systems are the drivers for Coca-Cola FEMSA's 18% improvement in productivity (employees per unit case) over the past two years.

UNIT CASE PER EMPLOYEE

	00	99	98
Coca-Cola FEMSA	**39.1**	35.6	33.2
Mexico	**36.0**	32.4	31.8
Buenos Aires	**54.4**	52.9	40.3



Working to compete in the challenging economic environment of Argentina, Coca-Cola FEMSA continues to lower its fixed costs through capacity rationalization and greater administrative efficiencies. As in Mexico, the utilization of our enterprise resource planning system, SAP, enables us to increase the efficiency in which we operate.

In both Mexico and Argentina, our people, technology and operating processes are the base that support our growth cycle.

Our market intelligence allows us to better understand the preferences of our clients and consumers and to develop a product and package portfolio that meets their needs.

204.7
INSTALLED CAPACITY MEASURED IN MILLION UNIT CASES

55%
CAPACITY UTILIZATION

26
AVERAGE ANNUAL CAPACITY PER LINE MEASURED IN MILLION UNIT CASES

Sales & Marketing Strategy

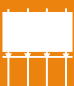
Coca-Cola FEMSA's sales and marketing efforts are based on extensive research – both statistical analysis and the insight we gain from the longstanding relationships between our sales force and our 345,200 retail outlets within our Mexican and Argentine territories. The company is paying particular attention to channel segmentation in order to create an environment in which not only the product and package portfolios are specialized, but that the salesperson expertise, cooler presentation and signage are adapted to the particular markets that we serve. By providing the correct service, cold drink equipment and marketing stimulus, we are working to increase the number of consumers and the frequency of consumption of current drinkers.

In Mexico, where the channel mix is highly fragmented, we are focused on providing differentiated cold drink equipment to meet the specific needs of each channel. In small stores concerned with security issues, for example, we have developed a cooler which allows our products to remain visible, while at the same time allowing the retailer to release the product only after being paid by the consumer. Another innovation is a built-in vending machine for use on long distance buses. Again, these innovations are not being implemented in a vacuum, but in the context of a careful analysis of how Coca-Cola FEMSA can receive the best return on its investment.

In Argentina, our channel mix is much less fragmented, but each channel must be serviced according to its needs. In a market where supermarket sales represent approximately 31% of total sales, we have focused our efforts on a "value dialogue" with the retail chains; activating at the point of sale instead of focusing only on prices to maintain our competitiveness.

On the following pages we go into more detail about our cooler and signage strategies.

Coca-Cola FEMSA's efforts in the segmentation of sales and marketing practices are part of a strategy of continually improving upon our existing expertise until it becomes a competitive advantage that reduces costs while increasing overall effectiveness and return on investments.



Coca-Cola ...viVela

viVela intensamente
Coca-Cola ...viVela

The placement of new signage has been improved and accelerated. An example is the way the company is using analysis of morning and afternoon traffic patterns to place billboards in the most strategic locations possible. Also, in urban areas, where billboards are not practical, we are using innovative methods of making our message visible on everything from shoe shine umbrellas and store awnings to tobacco stands and valet parking key lockboxes.

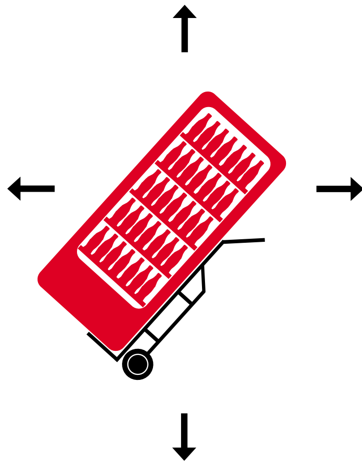
Coca-Cola FEMSA works with The Coca-Cola Company to create promotions and advertising that allow us to become a part of the local environment. Through the use of advanced information technology and a strong sales force, we gain information that allows us to tailor our marketing strategies in each of our territories and in each of the various market segments within these markets.

In Mexico, our annual Christmas events, including a parade, tree lighting and consumer pavilion, drew over 4.5 million consumers. In addition, the “Set Your Place” promotion in Mexico (1999) and Argentina was a large success, giving away over 2 million table settings (plate, cup and silverware) in our territories. The cost of these promotions is shared between Coca-Cola FEMSA and The Coca-Cola Company.

4.4%
MARKETING EXPENSES AS A PERCENTAGE OF SALES

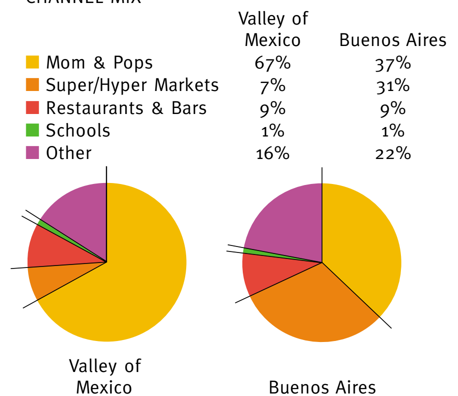
61
COOLER PENETRATION PER 10,000

65%
EST. SHARE OF TOTAL SOFT DRINK MARKET IN THE VALLEY OF MEXICO



The Company's cooler strategy is evolving from using information to place coolers at the point of sale to now analyzing the type of cooler and the specific position of the cold drink equipment within the point of sale. In Mexico, during a two-week period, we physically moved 5,250 coolers, mostly within small "Mom and Pop" stores, to a more prominent position – allowing incremental volume from the same cooler. During 2000, we also placed about 32,000 new coolers in Mexico and Argentina, boosting our coverage to about 69% in the Valley of Mexico, 45% in the Southeast, and 54% in greater Buenos Aires.

	Valley of Mexico	Southeast Mexico	Buenos Aires
Population			
2000	**18.5**	**10.2**	**11.4**
1999	18.2	10.1	11.3
Per capita			
2000	**445**	**275**	**255**
1999	417	241	268
Retailers (000)			
2000	**155.1**	**120.1**	**70.0**
1999	144.5	115.0	65.1



The markets served by Coca-Cola FEMSA have distinct retail characteristics. The Mexican territories continue to maintain a highly fragmented retail system with only 6% of total sales registered in large retail chains. The majority of its sales are in small family-owned retail outlets. Coca-Cola FEMSA's success in these territories is primarily due to its advanced distribution logistics and market understanding. In Argentina, the large chain retailers represent an important 31% of our total sales. Within this retail environment, we are focused on product portfolio strategies and pricing segmentation to compete.

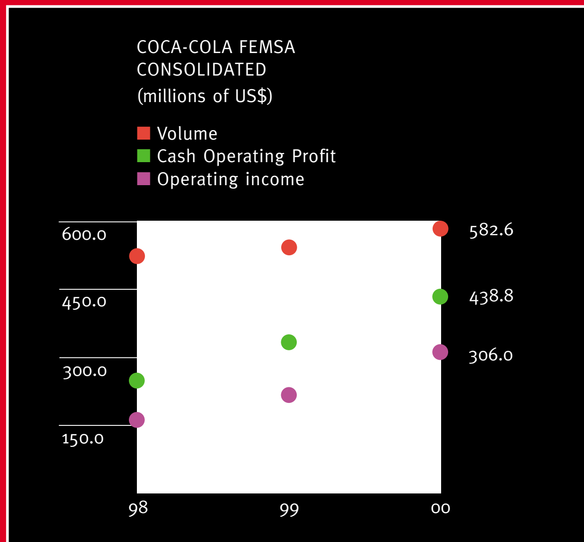
5.4%
MARKETING EXPENSES AS A PERCENTAGE OF SALES

33.8
COOLER PENETRATION PER 10,000

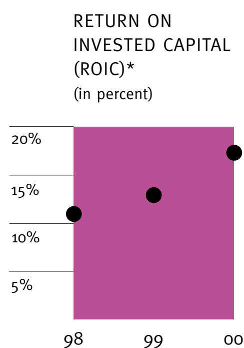
54%
EST. SHARE OF TOTAL SOFT DRINK MARKET IN ARGENTINA

Coca-Cola FEMSA is dedicated to providing value to all our shareholders. As we evaluate growth opportunities going forward we will focus on those investments that bring long-term profitability and sustainable growth potential.

Héctor Treviño Gutiérrez
Chief Financial
and Administrative Officer



RETURN ON INVESTED CAPITAL (ROIC)*
(in percent)



Dear Shareholder: Every one of Coca-Cola FEMSA's 15,054 employees can be proud of the Company's extraordinary financial results in 2000. When we look back at the assumptions we made going into the year, our expectations were exceeded in almost every measurable category, as well as in the overall efficiencies of our operations.

Profitability, as measured by operating income and cash operating profits, increased by 33% and 25%, respectively. The growth in profitability was due to the productivity improvements we made in production, distribution, and administration in both Mexico and Argentina, and to the strong economy and peso in Mexico.

In production, we were able to lower costs by consolidating plants and by alleviating bottlenecks. This has been particularly crucial in Argentina, where in a very difficult environment we have continued to remove costs from our operations, thus relieving some negative pressure from the operating margins. In distribution, we began the process of analyzing our current system and replicating best practices. Although we believe one of Coca-Cola FEMSA's core competencies is its distribution abilities, we can cross-pollinate our distinct distribution systems, utilizing best practices to further enhance this competency. In addition, in the administrative area, we continue to integrate our information systems, alleviating redundancies, as well as increasing the efficiency of our corporate staff.

During 2000, our streamlined operations generated US$439 million in cash operating profit and held capital expenditures at US$93 million. These investments were made primarily in the areas of production and distribution, cold-drink equipment and the continued rollout of different modules of SAP – the enterprise resource planning system utilized by Coca-Cola FEMSA.

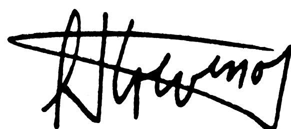
The combination of increased sales and operating efficiencies with our stable capital expenditures, resulted in a year-end cash balance of US$200 million. And, by maintaining our debt level at approximately US$308 million, we finished the year with net debt of US$108 million.

$$\text{*ROIC} = \frac{\text{(OPERATING INCOME + GOODWILL AMORTIZATION) (1-TAX RATE)}}{\text{AVERAGE DEBT + AVERAGE EQUITY + ACCRUED GOODWILL AMORTIZATION}}$$

During 2001, we will continue to increase our cash levels. We believe the cash reserves created will allow us to take advantage of acquisition opportunities as they arise. As we are aware that the liquidity of Coca-Cola FEMSA shares is an issue, we do not feel that a share repurchase program is a feasible option at this time. In fact, we have begun to analyze different mechanisms that might improve the current share liquidity situation.

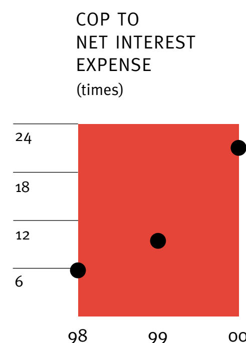
Before closing, I also want to give some detail on the matter of our foreign exchange losses for 2000. Obviously, the strong Mexican peso throughout 2000 was an important variable in the Company's ability to increase gross margin by 3.2 percentage points in that country. However, we experienced a US$33 million foreign exchange loss due to hedging activity. In May 1999, in anticipation of a presidential election year, we began our financial planning for 2000. At that time, the Company purchased dollar-forward contracts to hedge its 2000 foreign exchange exposure (presented primarily by dollar-denominated packaging requirements). Through these contracts we were able to insulate our shareholders from the foreign exchange risk, locking in our dollar-denominated costs. The unexpected strength of the peso during the year resulted in losses taken on those contracts.

Finally, I want to reiterate that the most important task we have before us is to continue the growth in profitability for our shareholders. Our strategies are focused on: i) creating product portfolios that "fit" in each territory, ii) standardizing our operational and administrative processes, iii) increasing per capita consumption in our existing territories, and iv) preparing to replicate our operations as geographic expansion opportunities arise. We are confident we will succeed in improving the value for our shareholders as we strive to implement these strategies.

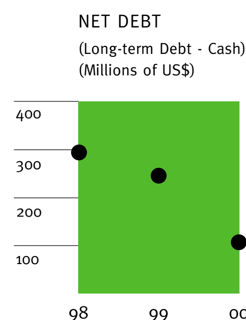


HÉCTOR TREVIÑO GUTIÉRREZ
Chief Financial
and Administrative Officer

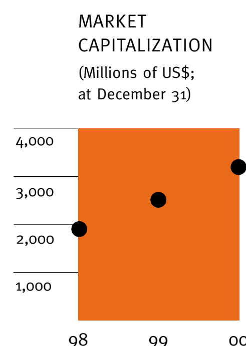
COP TO NET INTEREST EXPENSE
(times)



NET DEBT
(Long-term Debt - Cash)
(Millions of US$)



MARKET CAPITALIZATION
(Millions of US$;
at December 31)



US $93M
2000 CAPITAL EXPENDITURES

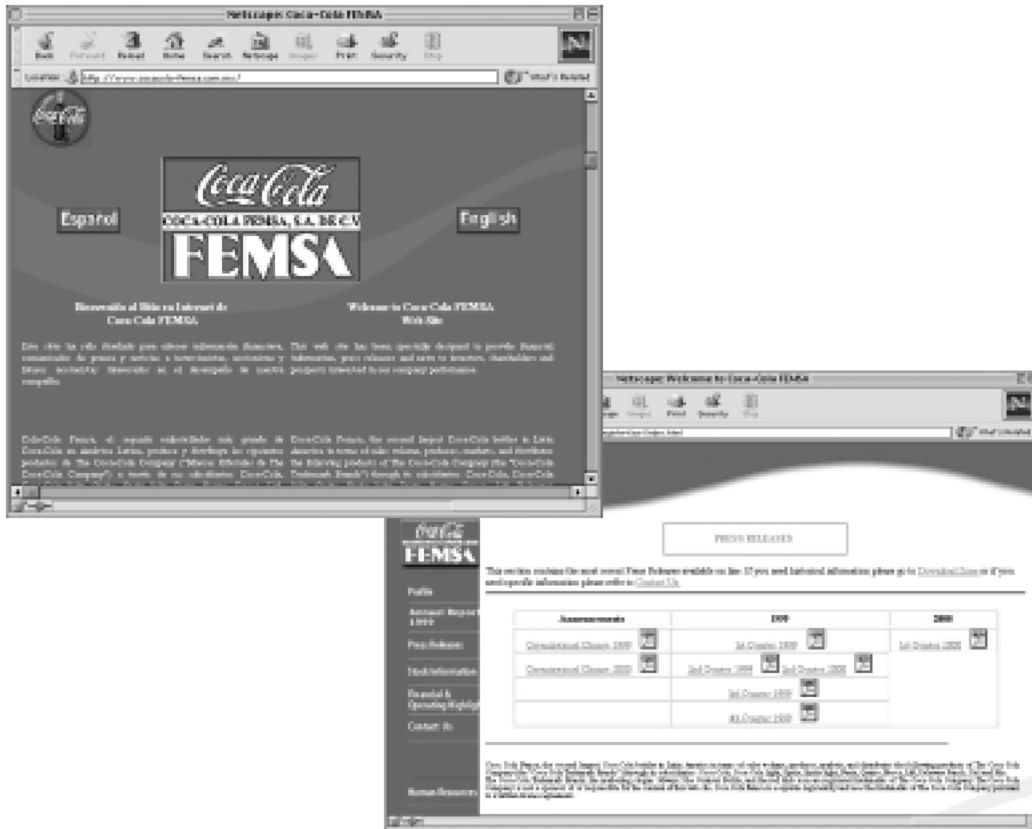
US $308M
2000 LONG-TERM DEBT

US $200M
2000 CASH BALANCE

29.4%
FIVE-YEAR CAGR MARKET CAPITALIZATION

For more detailed information,
visit our web site at:

www.cocacola-femsa.com.mx



This document may be deemed to include forward-looking statements within the meaning of Section 27A of the U.S. Securities Exchange Act of 1934. It should be read in conjunction with our periodic interim and other reports and registration statements filed with the Securities and Exchange Commission. These 'forward-looking statements' represent the Company's internal projections, expectations or beliefs concerning, among other things, future operating results and various components thereof or the Company's future economic performance. The Company would like to caution you that the Company's actual results could differ materially from the results anticipated or projected in any such forward-looking statements.

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SEVEN YEAR SUMMARY

Translation of a financial statement originally issued in Spanish

Millions of Constant Mexican Pesos (Ps.) as of December 31, 2000.

	2000	1999	1998	1997	1996	1995	1994[1]
INCOME STATEMENT							
Total sales	**Ps. 16,585**	Ps. 15,155	Ps. 14,477	Ps. 12,642	Ps. 11,434	Ps. 10,847	Ps. 9,147
Cost of goods sold	**8,226**	7,989	7,994	6,879	6,466	6,168	4,643
Gross profit	**8,359**	7,166	6,483	5,763	4,968	4,679	4,504
Operating expenses[2]	**5,302**	4,827	4,476	3,961	3,820	3,750	3,308
Goodwill amortization	**117**	126	134	108	102	49	14
Income from operations	**2,940**	2,213	1,873	1,694	1,046	880	1,182
Integral cost of financing	**538**	305	419	226	48	57	147
Other (income) expenses	**140**	72	250	167	(91)	(90)	(103)
Taxes	**970**	792	465	325	251	235	429
Consolidated net income	**1,292**	1,044	739	976	838	678	709
Majority net income	**1,292**	1,044	739	944	807	575	646
Minority net income	**—**	—	—	32	31	52	63
RATIOS TO SALES (%)							
Gross margin (profit/Net sales)	**50.7**	47.5	45.1	46.0	43.6	43.4	49.7
Operating margin (profit/Total sales)	**17.7**	14.6	12.9	13.4	9.1	8.1	12.9
Net income	**7.8**	6.9	5.1	7.7	7.3	6.3	7.8
CASH FLOW							
Gross cash flow (EBITDA)[3]	**4,212**	3,366	2,806	2.687	1,970	1,646	1,474
Capital expenditures Pesos[4]	**895**	944	1,692	1,545	1,668	1,571	1,217
BALANCE SHEET							
Current assets	**3,360**	1,910	1,539	1,512	1,856	1,362	1,506
Fixed assets	**7,055**	7,464	7,773	7,324	6,902	6,755	6,331
Deferred charges	**502**	487	501	346	271	104	223
Goodwill	**1,639**	1,843	2,223	2,239	1,851	1,662	1,156
Inv. in associated companies	**211**	204	172	134	95	24	36
Total Assets	**12,767**	11,908	12,208	11,555	10,975	9,907	9,252
Liabilities							
Short-term debt	**20**	35	1,294	1,166	80	118	935
Long-term debt	**2,936**	3,131	3,685	3,627	4,293	4,182	1,635
Interest payable	**67**	72	90	88	92	72	68
Operating liabilities	**2,194**	2,120	1,411	1,398	1,317	947	1,088
Deferred taxes	**788**	—	—	—	—	—	—
Labor liabilities and other	**352**	274	225	185	162	176	226
Total Liabilities	**6,357**	5,632	6,705	6,464	5,944	5,495	3,952
Stockholders' equity	**6,410**	6,276	5,504	5,091	5,031	4,412	5,300
Majority interest	**6,410**	6,276	5,504	5,091	4,549	4,060	4,990
Minority interest	**—**	—	—	—	482	352	310
FINANCIAL RATIOS (%)							
Current	**1.47**	0.86	0.55	0.57	1.25	1.20	0.72
Leverage	**0.99**	0.90	1.22	1.27	1.31	1.35	0.79
Capitalization	**0.32**	0.34	0.54	0.55	0.49	0.52	0.39
Coverage	**20.98**	9.12	5.38	8.24	6.27	9.25	19.14
DATA PER SHARE[5]							
Book value	**4.498**	4.404	3.862	3.573	3.192	2.849	3.502
Majority net income	**0.907**	0.733	0.519	0.662	0.566	0.404	0.453
Dividends paid[6]	**0.166**	0.134	0.133	0.111	0.061	0.055	0.059
No. Employees	**15,054**	15,273	15,003	14,154	14,226	14,147	14,427

(1) Includes operations generated by Coca-Cola FEMSA de Buenos Aires, since the date of its acquisition (September 1994).

(2) 1998 figure includes the fixed asset adjustment originated by the writedown in the value of computer equipment and information systems..

(3) Income from operations plus non-cash charges.

(4) Includes bottles and cases, deferred charges, property, plant and equipment.

(5) Based on 1,425,000,000 shares.

(6) Dividends paid during the year based on the prior year's net income.

Results of Operations for 2000 Compared to 1999

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 Coca-Cola FEMSA's total sales volume. Sales volume in colas increased 10.9% in 2000 and flavored soft drinks increased 7.3%, in each case compared to 1999. Sales volume of Ciel water increased by 15.0% to 11.4 million unit cases.

The 10.3% sales volume growth in the Mexican Territories was the result of the Company's continued advancement in (i) gathering and analysis of market information, (ii) increased availability of cold soft drink products as a result of investments in cold drink equipment 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 in flavored soft drinks by 2.4%, in each case compared to 1999. Sales volume of Kin water, a Coca-Cola Trademark Beverage sold by Coca-Cola FEMSA in Buenos Aires, declined by 17.5% during 2000.

In recent years the packaging trend in the soft drink industry has moved toward non-returnable presentations. In total, non-returnable presentations (including cans but excluding post-mix) represented 53.9% of the Company's total soft drink sales in the Mexican Territories in 2000, compared to 53.8% in 1999. Although the importance of non-returnable packages continued to grow in the Southeast territory (from 42.8% of total sales in the territories in 1999 to 49.1% in 2000), in the Valley of Mexico the importance of returnable presentations regained position, rising from 40.6% to 42.2%. The Company expects its portfolio strategies to protect the smaller retailers that dominate the Mexican market and to maintain a barrier to entry for non-branded products by supporting the returnable package and believes the packaging mix should therefore stabilize going forward.

In the Buenos Aires Territory, 90.2% of the Company's total soft drink sales in 2000 were in non-returnable presentations, compared to 89.7% in 1999. The Company believes that the trend toward non-returnable presentations has stabilized and that the non-returnable/returnable package mix will remain at its current level.

Net Sales

Net sales growth in the Mexican territories of 15.0% resulted from the combination of the strong volume growth and the Company's pricing strategy. This strategy focused on market segmentation and product price elasticity. At year end 2000, the Company recorded a 4.3% real price increase.

In Argentina, average real price per unit case decreased 4.9% in 2000 with consumers trading down for low-price non-branded soft drinks and larger presentations (with a lower price per once). The decrease in sales volume and the lower average pricing resulted in a 8.0 reduction in net sales in 2000. During the second half of 2000, the Company introduced Taí, a low-price value protection brand, in a 2.25 liter presentation to compete within the low-price category.

Other Operating Revenues

Other operating revenues increased from Ps. 54.8 million in 1999 to Ps. 82.9 million in 2000. The 57.8% increase in other operating revenues within the Mexican territories primarily consisted of increased sales of certain raw materials to third

parties. An increase of 44.4% in other operating revenues in the Buenos Aires Territory resulted from an increase in sales of final product to other bottlers in Argentina.

Cost of Sales

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

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

In Buenos Aires, cost of sales as a percentage of net sales remained stable at 58.0%. Although the company saw real decreases in its 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 9.8% to Ps. 5.301 billion in 2000 from Ps. 4.827 billion in 1999. The increase was the result of an increase in 2000 of 7.4% in selling expenses and an 18.2% increase in administrative expenses.

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

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

Goodwill

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

Operating Income

Consolidated income from operations after amortization of goodwill grew by 32.9% to Ps. 2.940 billion in 2000. With lower cost of sales per unit and a slight increase in operating expenses, the Company saw a 3.1 percentage point improvement in profitability as measured by operating income as a percentage of total sales.

Integral Cost of Financing

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

The integral cost of financing increased 76.1% from Ps. 305.5 million in 1999 to Ps. 538.0 million in 2000.

Net interest expense decreased by 45.4% primarily due to the Company's lower debt levels and higher cash balance.

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

Notwithstanding the strength of the Mexican peso throughout the year, depreciating only 1.2%, the Company recorded a US$33 million foreign exchange loss. The loss was due to the Company's investment in dollar forward contracts. In May 1999, in anticipation of the Mexican presidential election of 2000, the Company invested in forward dollar contracts to hedge its 2000 foreign exchange exposure (presented primarily by dollar-denominated packaging requirements and interest payments for the year). Through these contracts the Company insulated its shareholders from the foreign exchange risk associated with an election year in Mexico, locking in our dollar-denominated costs. The unexpected strength of the peso during the year resulted in losses taken on those contracts.

Other Expenses

Other expenses are primarily related to the Company's continued efforts to rationalize its operations and to reduce its work force both in operations and in the corporate office. Also included are one-time charges totaling approximately Ps. 52 million to the Instituto Méxicano del Seguro Social (Mexican Social Security Institute) related to employee benefits. Other expenses reached Ps. 140.1 million in 2000 as compared to Ps. 71.7 million in 1999.

Income Tax, Tax on Assets and Employee Profit Sharing

Income tax, tax on assets and employee profit sharing increased 22.6 % from Ps. 791.5 million in 1999 to Ps. 970.2 million in 2000. The Company's consolidated effective income tax, tax on assets and employee profit sharing rate decreased from 43.1% in 1999 to 42.9% in 2000.

Net income

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

ARTHUR ANDERSEN

Translation of a report originally issued in Spanish
(See explanation added to the notes)

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

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

We conducted our audits in accordance with auditing standards generally accepted in Mexico and in the United States. Those standards require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in conformity with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial 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.

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

Accounting practices used by the Company in preparing the accompanying consolidated financial statements conform with accounting principles generally accepted in Mexico but do not conform with accounting principles generally accepted in the United States (U.S. GAAP). A description of these differences and a reconciliation of consolidated net income and shareholders' 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 Note 21 and 22.

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

January 25, 2001

Arthur Andersen

CONSOLIDATED BALANCE SHEET

Translation of financial statement originally issued in Spanish

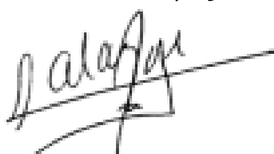
At December 31, 2000 and 1999
Amounts expressed in Thousands of U.S. Dollars ($) and constant Mexican Pesos (Ps.) as of December 31, 2000

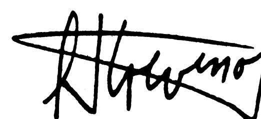
	2000		1999
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 199,833	Ps. 1,920,393	Ps. 581,490
Accounts receivable:			
Trade	66,456	638,645	598,013
Notes	6,496	62,424	108,115
Other	17,102	164,348	91,363
	90,054	865,417	797,491
Recoverable Taxes	419	4,025	3,663
Inventories	52,498	504,510	486,814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

		2000			1999
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Bank loans and accrued interest	$	**6,943**	Ps.	**66,721**	Ps. 72,280
Current maturities of long-term debt		**2,064**		**19,832**	35,269
Suppliers		**144,216**		**1,385,920**	1,211,283
Accounts payable		**44,809**		**430,610**	313,606
Accrued taxes		**26,932**		**258,805**	491,224
Other liabilities		**12,384**		**119,006**	103,642
Total Current Liabilities		**237,348**		**2,280,894**	2,227,304
Long Term Liabilities:					
Long-term debt		**307,552**		**2,955,571**	3,165,581
Current maturities		**(2,064)**		**(19,832)**	(35,269)
Pension plan		**15,035**		**144,486**	136,117
Seniority premiums		**1,700**		**16,323**	22,374
Deferred liabilities		**82,038**		**788,384**	—
Other liabilities		**19,884**		**191,087**	115,578
Total Long-Term Liabilities		**424,145**		**4,076,019**	3,404,381
Total Liabilities		**661,493**		**6,356,913**	5,631,685
Stockholders' Equity:					
Capital stock		**223,444**		**2,147,298**	2,147,298
Additional paid-in capital		**157,207**		**1,510,755**	1,510,755
Retained earnings		**413,985**		**3,978,395**	4,011,740
Net income for the year		**134,443**		**1,292,000**	1,044,379
Cumulative result of holding nonmonetary assets		**(262,037)**		**(2,518,175)**	(2,437,607)
Total Shareholders' Equity		**667,042**		**6,410,273**	6,276,565
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	**1,328,535**	Ps.	**12,767,186**	Ps. 11,908,250

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

Mexico, D.F., January 25, 2001.





Carlos Salazar Lomelín
Chief Executive Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer

Coca-Cola FEMSA, S.A. de C.V. and Subsidiaries
Mexico, D.F.

CONSOLIDATED INCOME STATEMENT

Translation of financial statement originally issued in Spanish

For the years ended December 31, 2000, 1999 and 1998.
Amounts expressed in Thousands of U.S. Dollars ($) and constant Mexican Pesos (Ps.) as of December 31, 2000

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

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Translation of financial statement originally issued in Spanish
For the years ended December 31, 2000, 1999 and 1998
Amounts expressed in Thousands of U.S. Dollars ($) and constant Mexican Pesos (Ps.) as of December 31, 2000

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

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Translation of financial statement originally issued in Spanish
For the years ended December 31, 2000, 1999 and 1998
Amounts expressed in Thousands of constant Mexican pesos (Ps.) as of December 31, 2000

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Translation of financial statement originally issued in Spanish

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

AMOUNTS EXPRESSED IN THOUSANDS OF U.S. DOLLARS ($) AND CONSTANT MEXICAN PESOS (PS.) AS OF DECEMBER 31, 2000

ACTIVITIES OF THE COMPANY

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

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

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

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

NOTE *1.* Basis of Presentation.

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in Mexico ("Mexican GAAP") which differ in certain significant respects from accounting principles generally accepted in the United States ("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 thousands of Mexican pesos ("PS"). The translations of Mexican pesos into U.S. dollars ("$") are included solely for the convenience of the reader, using the exchange rate as of December 31, 2000 of 9.61 Mexican pesos to one U.S. dollar. Such convenience translations should not be construed as representations that the Mexican peso accounts have been, could have been, or could in the future be, converted into U.S. 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 consolidation.

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

Valley of Mexico

Industria Embotelladora de México, S.A. de C.V.(1)
Industria Embotelladora del Valle, S.A. de C.V.(1)
Distribuidora de Bebidas Valle de México, S.A. de C.V.(1)
Distribuidora Comercial Dico, S.A. de C.V.(1)
Refrescos y Aguas Nacionales, S.A. de C.V.(1)
Industria Refresquera del Valle, S.A. de C.V.(1)
Propimex, S.A. de C.V.
Dirección y Servicios, S.A. de C.V.(2)
Refrescos y Aguas Minerales, S.A. de C.V.
Administración y Asesoría Integral, S.A. de C.V.

Southeast of Mexico

Refrescos de Oaxaca, S.A. de C.V.(3)
Embotelladora Sin Rival, S.A. de C.V.(3)
Embotelladora de Soconusco, S.A. de C.V.(3)
Inmuebles del Golfo, S.A. de C.V.

Argentina

Coca-Cola FEMSA de Buenos Aires, S.A.

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

NOTE 3. Foreign Subsidiary Incorporation.

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

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

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

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

NOTE 4. Significant Accounting Policies.

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

The significant accounting policies are as follows:

a) Recognition of the Effects of Inflation in the Financial Information:

The recognition of the effects of inflation in the financial information consists of:

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

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

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

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

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

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

b) Cash and Cash Equivalents:

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

c) Inventories and Cost of Sales:

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

d) Advances to Suppliers:

The balances are adjusted by applying NCPI inflation factors, considering their average age, and are included in the inventory account.

e) Prepaid Expenses:

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

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

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

f) Property, Plant and Equipment, net:

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

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

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

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

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

g) Bottles and Cases:

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

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

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

h) Investments in Shares:

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

i) Deferred Charges:

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

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

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

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

j) Goodwill:

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

k) Payments from The Coca-Cola Company:

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

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

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

l) Labor Liabilities:

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

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

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

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

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

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

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

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

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

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

n) Integral Result of Financing:

The integral result of financing includes:

Interest:

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

Foreign Exchange Gains or Losses:

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

Gain or (Loss) on Monetary Position:

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

o) Financial Instruments:

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

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

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

p) 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.

q) 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.

r) Comprehensive Income:

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

s) Net Income per Share:

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

NOTE 5. Accounts Receivable.

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

NOTE 6. Inventories.

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

NOTE 7. Prepaid Expenses.

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

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

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

NOTE 8. Investments in Shares.

Company	Ownership		2000		1999
COCA-COLA FEMSA:					
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA")	19.60%	**Ps.**	**72,561**	Ps.	72,532
COCA-COLA FEMSA DE BUENOS AIRES S.A.					
Complejo Industrial Can, S.A. ("CICAN")	48.10%		**136,687**		129,822
OTHER	Various		**1,816**		1,872
		Ps.	**211,064**	Ps.	204,226

NOTE 9. Property, Plant and Equipment, Net.

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

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

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

NOTE 10. Deferred Charges, Net.

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

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

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

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

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

		2000		1999
THE COCA-COLA COMPANY:				
Balance sheet:				
Assets (accounts receivable)	**Ps.**	**121,821**	Ps.	63,401
Liabilities		**185,875**		234,057

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

Other associated companies:

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

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

		2000		1999		1998
PURCHASES OF CANNED PRODUCTS TO:						
IEQSA:	**Ps.**	**200,842**	Ps.	292,940	Ps.	294,518
CICAN	**Ps.**	**296,103**	Ps.	339,890	Ps.	456,600

NOTE 12. Balances and Transactions in Foreign Currency.

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

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

(1) Mexican Peso per U.S. dollar

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

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

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

NOTE 13. Labor Liabilities.

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

Real Rates	**2000**
Annual discount rate	**6.00%**
Salary increase	**2.00%**
Return on assets	**6.00%**

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

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

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

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

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

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

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

NOTE *14.* Bonus Program.

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

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

In 1999 the Company hedged the potential risk related with Coca-Cola FEMSA's stocks, buying stock options; however this operation did not generate any cost.

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

Additionally, during 1999 the Company established a new compensation plan for certain key executives, which consists of granting an annual bonus over the next five years, in the form of stock or stock options, based on each 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 (ADRs), representing such stock, quoted on the New York Stock Exchange (NYSE) and/or
- Enter into call options of the stock mentioned above.

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

The annual bonus is recorded in the results of operations of the year. The amounts paid corresponding to 2000 and 1999, were Ps. 23,120 and Ps. 18,433, respectively, which were recorded as prepaid expenses and amortized using the straight-line method over the period.

NOTE 15. Bank Loans and Notes Payable.

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

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

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

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

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

NOTE 16. Fair Value for Financial Instruments.

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

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

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

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

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

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

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

NOTE 17. Stockholders' Equity.

At December 31, 2000, the capital stock of the Company was comprised of 1.425 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 can not exceed 49% of the ordinary shares.
- Series "L" shares have limited voting and other corporate rights.

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

As of December 31, 2000, Coca-Cola FEMSA's capital stock is comprised as follows:

	Number of Shares
Series A	726,750
Series D	427,500
Series 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 Cost		Restatement		Restated Value
Capital stock	Ps.	633,250	Ps.	1,514,048	Ps.	2,147,298
Additional paid in capital		305,505		1,205,250		1,510,755
Retained earnings		2,170,710		1,807,685		3,978,395
Net income for the year		1,242,866		49,134		1,292,000

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

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

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

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

NOTE *18.* Tax System.

a) Income Tax:

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

Beginning 1999, the income tax rate is 35%, with the possibility of deferred the paid of the tax approximate a 5% (during 1999, 3%) until the dividends of those earnings are paid, only if such dividends are lower than the reinvested tax income, which at December 31, 2000 is Ps. 1,510,376.

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

b) Tax on Assets:

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

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

c) Employee Profit Sharing:

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

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

d) Deferred Income Tax:

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

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

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

(1) Includes bottles and cases

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

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

Income taxes were computed on taxable income that differs from accounting income principally due to the following:

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

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

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

NOTE *19.* Contingencies and Guaranties.

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

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

NOTE 20. Information by Segment.

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

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

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

December 1998		Mexico		Buenos Aires[2]		Total
Total revenues	Ps.	10,660,392	Ps.	3,817,022	Ps.	14,447,414
Income from operations[1]		1,693,273		179,613		1,872,886
Interest expenses		530,249		13,699		543,948
Interest income		11,512		10,705		22,217
Income tax		402,802		—		402,802
Employee Profit Sharing		62,232		—		62,232
Depreciation and goodwill amortization		418,658		177,993		596,651
Breakage of bottles and cases, amortization and other		274,144		62,701		336,845
Capital expenditures[4]		1,329,373		191,080		1,520,453

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

NOTE 21. Difference Between Mexican GAAP and U.S. GAAP.

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

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

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

a) Restatement of Prior Year Financial Statements:

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

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

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

d) Capitalization of Interest Expense:

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

In accordance with 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. If the borrowings are denominated in Mexican pesos, the amount of capitalizable interest determined as noted above is reduced by the gain on monetary position associated with the debt. In no event may any exchange losses associated with foreign currency denominated debt be capitalized under U.S. GAAP.

e) Cost of Foreign Currency Forward Contracts

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

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

f) Deferred Income Taxes and Employee Profit Sharing:

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

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

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

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

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

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

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

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

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

g) Cost of Pension Plan and Other Employee Benefits:

Under Mexican GAAP, the liabilities for employee benefits are determined using actuarial computations, in accordance with Bulletin D-3, “Labor Obligations,” which is substantially the same as 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 net pension cost and the funded status of the pension plan under SFAS No. 87 are as follows:

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

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

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

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

Change in Plan Assets at Fair Value		2000		1999
Balance at the beginning of the year	**Ps.**	**38,392**	Ps.	37,390
Actual return on plan assets in real terms		**2,438**		2,738
Actuarial gain		**2,486**		2,111
Benefits paid		**(4,813)**		(3,847)
Balance at the end of the year	**Ps.**	**38,503**	Ps.	38,392

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

h) SFAS No. 105:

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

i) Impairment of Long-Lived Assets:

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

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

j) Comprehensive Income:

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

k) Statement of Cash Flows:

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

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

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

	2000	1999	1998
Resources generated by operations under Mexican GAAP	**Ps. 2,501,059**	Ps. 2,886,828	Ps. 1,595,842
Inflationary effects	**136,076**	(6,282)	(129,165)
Foreign exchange loss (gain)	**342,698**	36,292	120,160
Loss on retirements of property, plant and equipment	**5,034**	22,217	178,616
Dividends	**(235,929)**	(190,831)	(189,578)
Resources generated by operations under U.S. GAAP	**2,748,938**	2,748,224	1,575,875
Resources used in investing activities under Mexican GAAP	**(895,017)**	(921,304)	(1,520,453)
Loss on retirements of property, plan and equipment	**(5,034)**	(22,217)	(178,616)
Inflationary effects	**—**	(9,586)	(59,809)
Resources used in investing activities under U.S. GAAP	**(900,051)**	(953,107)	(1,758,878)
Resources (used in) generated by financing activities under Mexican GAAP	**(267,139)**	(1,576,585)	(143,542)
Inflationary effects	**(136,076)**	23,820	178,114
Foreign exchange loss (gain)	**(342,698)**	(36,292)	(120,160)
Dividends	**235,929**	190,831	189,579
Resources (used in) generated by financing activities under U.S. GAAP	**Ps. (509,984)**	Ps. (1,398,226)	Ps. 103,991

Complementary Information About Cash Flow:	2000	1999	1998
Interest expenses	**Ps. 185,963**	Ps. 349,013	Ps. 453,282
Income tax and tax on assets paid	**Ps. 1,247,721**	Ps. 483,237	Ps. 403,008

l) Condensed Financial Information under U.S. GAAP

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

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

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

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

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

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

a) Reconciliation of Net Income:

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

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

b) Reconciliation of Stockholders' Equity:

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

c) Reconciliation of Comprehensive Income:

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

NOTE 23. Future Impact of Recently Issued Accounting Standards.

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

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

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

DIRECTORS & OFFICERS

Executive Officers

Carlos Salazar Lomelín
Chief Executive Officer
1 Year as an Officer

Ernesto Torres Arriaga
Vice President
7 Years as an Officer

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

John Santa María Otazúa
Director of Strategic Planning and Business Development
5 Years as an Officer

Rafael Suárez Olaguibel
Chief Operating Officer – Mexico
7 Years as an Officer

Ernesto Silva Almaguer
Chief Operating Officer – Buenos Aires
4 Years as an Officer

Domingo Vaccarezza
Technical Director
6 Years as an Officer

Eulalio Cerda
Human Resources Director
1 Year as an Officer

Directors

Directors Appointed by Series A Shareholders

Eugenio Garza Lagüera
Honorary Chairman of the Board, Grupo Financiero BBVA Bancomer, S.A. de C.V.
Chairman of the Board, FEMSA and Grupo Industrial Emprex, S.A. de C.V. ("Emprex")
7 Years as a Board Member

José Antonio Fernández Carbajal
Chairman of the Board, Coca-Cola FEMSA
Vice-Chairman of the Board and Chief Executive Officer, FEMSA
7 Years as a Board Member

Alfonso Garza Garza
General Director, Grafo Regia
5 Years as a Board Member

Juan Carlos Braniff Hierro
Vice-Chairman, BBVA Bancomer
7 Years as a Board Member

Ricardo Guajardo Touché
Chariman, BBVA Bancomer
7 Years as a Board Member

Alfredo Martínez Urdal
Chief Executive Officer, Cerveceria Cuauhtémoc Moctezuma, S.A. de C.V.
7 Years as a Board Member

Federico Reyes García
Executive Vice President of Planning and Finance, FEMSA
7 Years as a Board Member

Eduardo Padilla Silva
General Director, Empresas Estratégicas, FEMSA
4 Years as a Board Member

Armando Garza Sada
General Director, Versax, S.A. de C.V.
3 Years as a Board Member

Daniel Servitje Montull
Chief Executive Officer, Grupo Industrial Bimbo, S.A. de C.V.
3 Years as a Board Member

Carlos Salazar Lomelín
Chief Executive Officer, Coca-Cola FEMSA
1 Year as a Board Member

Directors Appointed by Series D Shareholders

James Chesnut
Executive Vice President, Operations Support
7 Years as a Board Member

Charles H. McTier
President, Woodruff Foundation
2 Years as a Board Member

Gilberto Lozano González
Executive Vice President – Corporate Development, FEMSA
5 Years as a Board Member

Tim Haas
President, Latin America Group, The Coca-Cola Company
5 Years as a Board Member

Director Appointed by Series L Shareholders

Alexis Rovzar de la Torre
Attorney
7 Years as a Board Member

Secretary

Carlos Eduardo Aldrete Ancira
General Counsel, FEMSA
7 Years as a Board Member

Examiners

Examiner Appointed by Series A Shareholders

José Manuel Canal Hernando
Partner, Arthur Andersen
7 Years as a Board Member

Examiner Appointed by Series D Shareholders

Fausto Sandoval Amaya
Partner, Ernst & Young L.L.P.
7 Years as a Board Member

Alternate Directors

Alternate Directors Appointed by Series A Shareholders

Francisco Javier Fernández Carbajal
President, Corporate Development Group, BBVA Bancomer
7 Years as a Board Member

Bárbara Garza Gonda
President, Fundación Cultural BBVA Bancomer
2 Years as a Board Member

Mariana Garza de Treviño
Investor
2 Years as a Board Member

Alfredo Livas Cantú
General Director, Praxis Financiera, S.C.
7 Years as a Board Member

Héctor Rangel Domene
President ABN
7 Years as a Board Member

Guillermo Chávez Eckstein
General Director AFORE, BBVA Bancomer
5 Years as a Board Member

Alternate Directors Appointed by Series D Shareholders

Joseph R. Gladden, Jr.
Executive Vice President and General Counsel, The Coca-Cola Company
7 Years as a Board Member

Ralph H. Cooper*
President North American Group, The Coca-Cola Company
7 Years as a Board Member

Gary Fayard
Director of Finance, The Coca-Cola Company
1 Year as a Board Member

Alternate Director Appointed by Series L Shareholders

Fernando Pardo Ramírez
Consultant
7 Years as a Board Member

Alternate Secretary

David Alberto Gonzalez Vessi
International Legal Counsel, FEMSA
1 Year as a Board Member

Alternate Examiners

Alternate Examiner Appointed by Series A Shareholders

Ernesto González Dávila
Partner, Arthur Andersen
7 Years as a Board Member

Alternate Examiner Appointed by Series D Shareholders

Humberto Ortiz Gutiérrez
Partner, Ernst & Young L.L.P.
7 Years as a Board Member

*Retired from The Coca-Cola Company, January 2001.

SHAREHOLDER INFORMATION

Shareholder and Analyst Information

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

Investor Relations Department
Robin Wood
Coca-Cola FEMSA, S.A. de C.V.
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01210, Mexico, D.F.
MEXICO
TEL 011-525-081-5120
FAX 011-525-292-3474
Web site: www.cocacola-femsa.com.mx

Stock Exchange Information

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

Dividend Payments per Share of Common Stock

On June 28, 2000, the Company declared and paid a dividend in the amount of 0.1533 Mexican pesos per share.

Transfer Agent and Registrar

Bank of New York
101 Barclay Street 22W
New York, New York 10286
U.S.A.
TEL 212-815-2206

Direct Purchase Stock Program

For more information on Coca-Cola FEMSA's direct purchase program, please see the Company web site.

KOFL
Mexican Stock Exchange
Quarterly Common Stock Information

Mexican pesos per share

Quarter Ended		2000	
	High	Low	Close
December 31	**Ps 21.15**	**Ps 17.50**	**Ps 21.15**
September 30	**Ps 19.30**	**Ps 17.18**	**Ps 18.68**
June 30	**Ps 18.80**	**Ps 13.78**	**Ps 18.52**
March 31	**Ps 19.00**	**Ps 15.00**	**Ps 17.30**

Quarter Ended		1999	
	High	Low	Close
December 31	Ps 17.00	Ps 12.32	Ps 16.50
September 30	Ps 18.90	Ps 13.00	Ps 13.08
June 30	Ps 20.30	Ps 15.00	Ps 18.10
March 31	Ps 16.90	Ps 11.98	Ps 15.80

KOF
New York Stock Exchange
Quarterly Common Stock Information

U.S. dollars per ADR

Quarter Ended		2000	
	High	Low	Close
December 31	**$ 22.38**	**$ 18.50**	**$ 22.38**
September 30	**$ 20.69**	**$ 18.00**	**$ 20.00**
June 30	**$ 19.63**	**$ 14.19**	**$ 18.88**
March 31	**$ 21.00**	**$ 15.00**	**$ 18.56**

Quarter Ended		1999	
	High	Low	Close
December 31	$ 18.06	$ 12.69	$ 17.56
September 30	$ 19.63	$ 13.81	$ 13.81
June 30	$ 21.81	$ 15.75	$ 19.38
March 31	$ 17.25	$ 11.13	$ 16.31

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