

# Coca-Cola FEMSA



January 2006



**KOF**  
**LISTED**  
**NYSE**

# Cautionary Statement

## **FORWARD-LOOKING STATEMENTS**

This presentation contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended. These forward-looking statements relate to Coca-Cola FEMSA, S.A. de C.V. and subsidiaries (“KOF”) and their businesses, and are based on KOF management’s current expectations regarding KOF and its businesses. Recipients are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside KOF’s control, that could cause actual results of KOF and its businesses to differ materially from such statements. KOF is under no obligation, and expressly disclaims any intention or obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

## **ADDITIONAL INFORMATION AND WHERE TO FIND IT**

Documents filed by KOF are available at the Securities and Exchange Commission’s public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20594. Investors and security holders may call the Commission at 1-800-SEC-0330 for further information on the public reference room. Free copies of all of KOF’s filings with the Commission may also be obtained by directing a request to:

## **COCA-COLA FEMSA**

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# KOF Evolution

*We have faced an evolutionary process since the integration of the new territories, increasing our operating complexity...*

	<u>2002</u>	<u>LTM Sep 05</u>	<u>Δ 02-05</u>
<b>Volume</b> (MM UC)	620	1,876	+ 203%
<b>Revenues</b> (MM US\$)	1,685	4,453	+ 164%
<b>Assets</b> (MM US\$)	1,546	6,181	+ 300%
<b>Plants</b>	9	30	+ 21
<b>Distribution Facilities</b>	56	237	+ 181
<b>Population</b> (MM)	41	179	+ 337%
<b>Retailers</b> (Thousands)	568	1,493	+ 163%
<b>Employees</b> <sup>(1)</sup> (Thousands)	14.5	55.4	+ 282%

(1) Including third parties

# Challenges resulting from the acquisition

***We acquired operations with a high level of deterioration, markets poorly executed and significant challenges...***

## ***Mexico:***

- *Contain B-brands expansion*
  - *Deal with a more competitive environment*
- 

## ***Central America:***

- *Increase per capita consumption*
  - *Develop an integrated profitable business model*
- 

## ***Venezuela:***

- *Operate under a complex environment*
- 

## ***Colombia:***

- *Reconfigure manufacture and “go-to-market”*
  - *Regain competitive position within the flavor carbonated segment*
- 

## ***Brazil:***

- *Define a new business model, feasible and profitable*
- 

## ***Argentina:***

- *Continue developing revenue growth with profitability*
- 

## ***New KOF Operations***

- *Integrate values and KOF’s culture*

# Initiatives and Strategies Implemented

***During this period we focused our efforts on finding strategic and operating solutions to address these challenges...***

## ***KOF Operations***

- *Development and implementation of multi-segmentation models*
  - *Implement sharing commercial knowledge and best practices replication tools*
  - *Optimize the value chain*
  - *Design a collaborative planning model together with KO*
- 

## ***Mexico***

- *Implement an operating transformation model, including redesigning the “Go-to-Market” process*
  - *Develop a larger returnable portfolio*
  - *Introduction of a solid non-carb beverages portfolio*
- 

## ***Brazil***

- *New business model, including redesigning the distribution network*
  - *Reintroduction of returnable packages*
  - *Implement of right execution daily process*
- 

## ***Argentina***

- *Consolidate the multi-segmentation model*
- *Introduction of a new portfolio of juices*

# Initiatives and Strategies Implemented

***During this period we focused our efforts on finding strategic and operating solutions to address the challenges...***

## ***Colombia***

- *Consolidation of manufacturing network*
- *Design a competitive portfolio within the CSD flavor segment, and strengthen brand Coca-Cola at the same time*
- *Redesign Go-to-Market Model*
- *Reorganize organizational structure*

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## ***Venezuela***

- *Consolidation of manufacturing network*
- *In process to implement a new business model looking for a better control across the value chain*

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## ***Central America***

- *Consolidation of regional back-office*
- *Implementation of a share services center*
- *Redesign product and brand portfolio*



***... and we have seen the  
results ...***

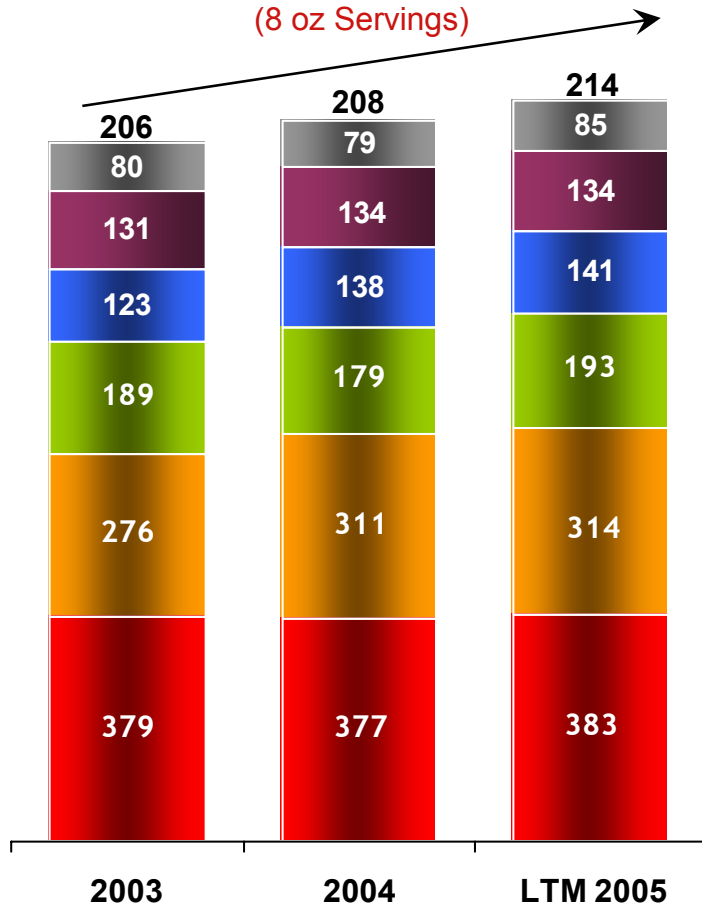
# Fostering Market Development

*Multisegmentation strategy has allowed us to increase per capita consumption in our territories, resulting in a sustainable volume growth path*

## KOF CSDs Per Capita Consumption

(8 oz Servings)

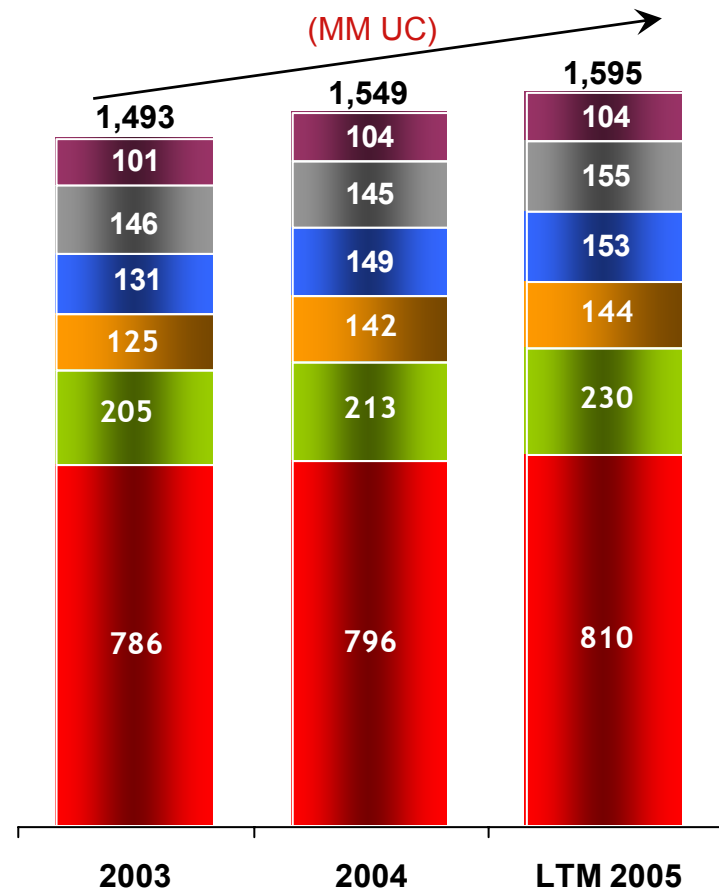
CAGR  
**1.9%**  
KOF



## KOF CSDs Volume

(MM UC)

CAGR  
**3.4%**  
KOF

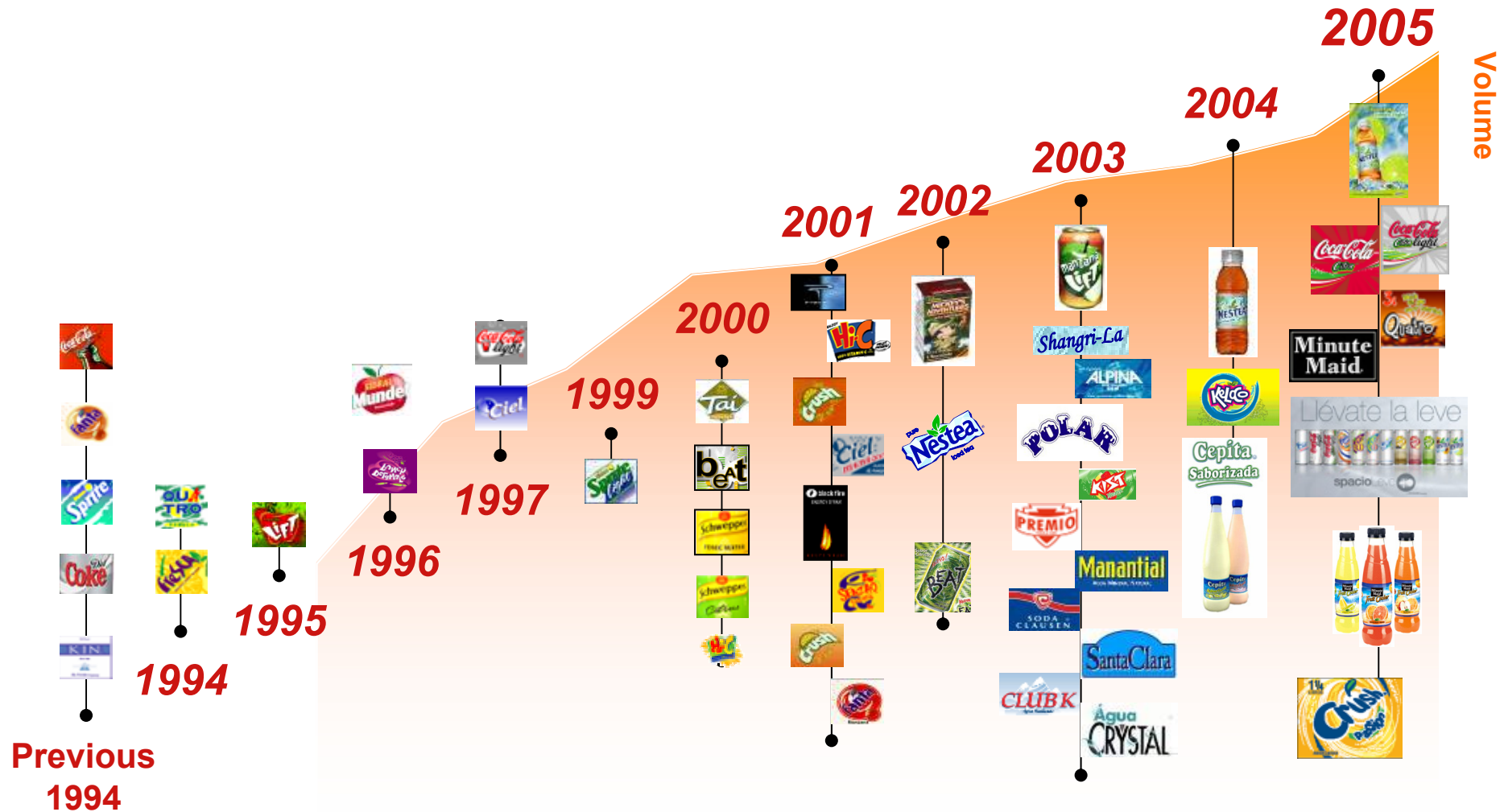


■ Mexico 
 ■ Argentina 
 ■ Brazil 
 ■ Venezuela 
 ■ Colombia 
 ■ Central America



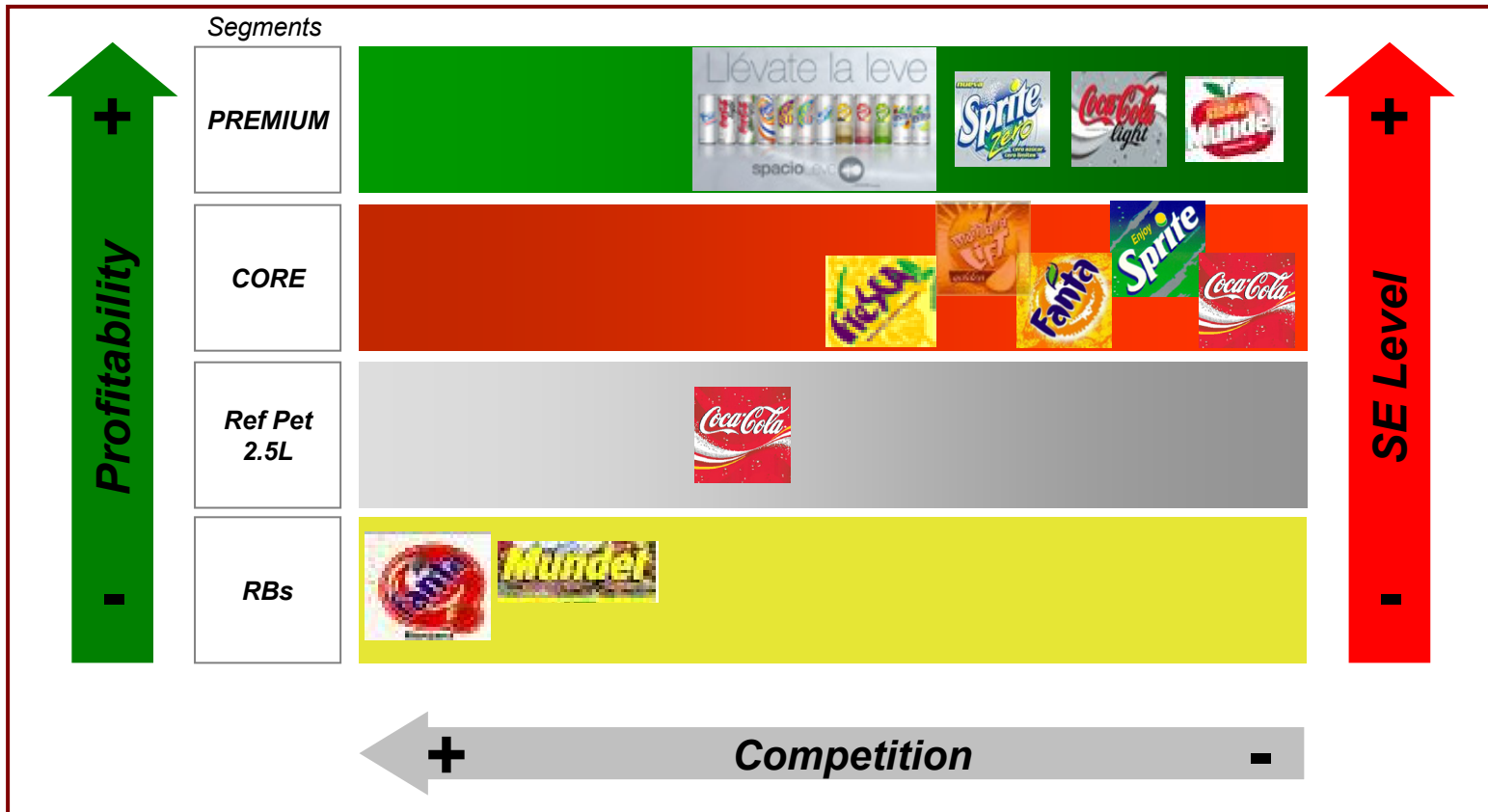
# Successful Brand Portfolio Management

*The development of our Product and Package Portfolio has been crucial to foster demand, demonstrating our capability to handle successfully a sophisticated portfolio*



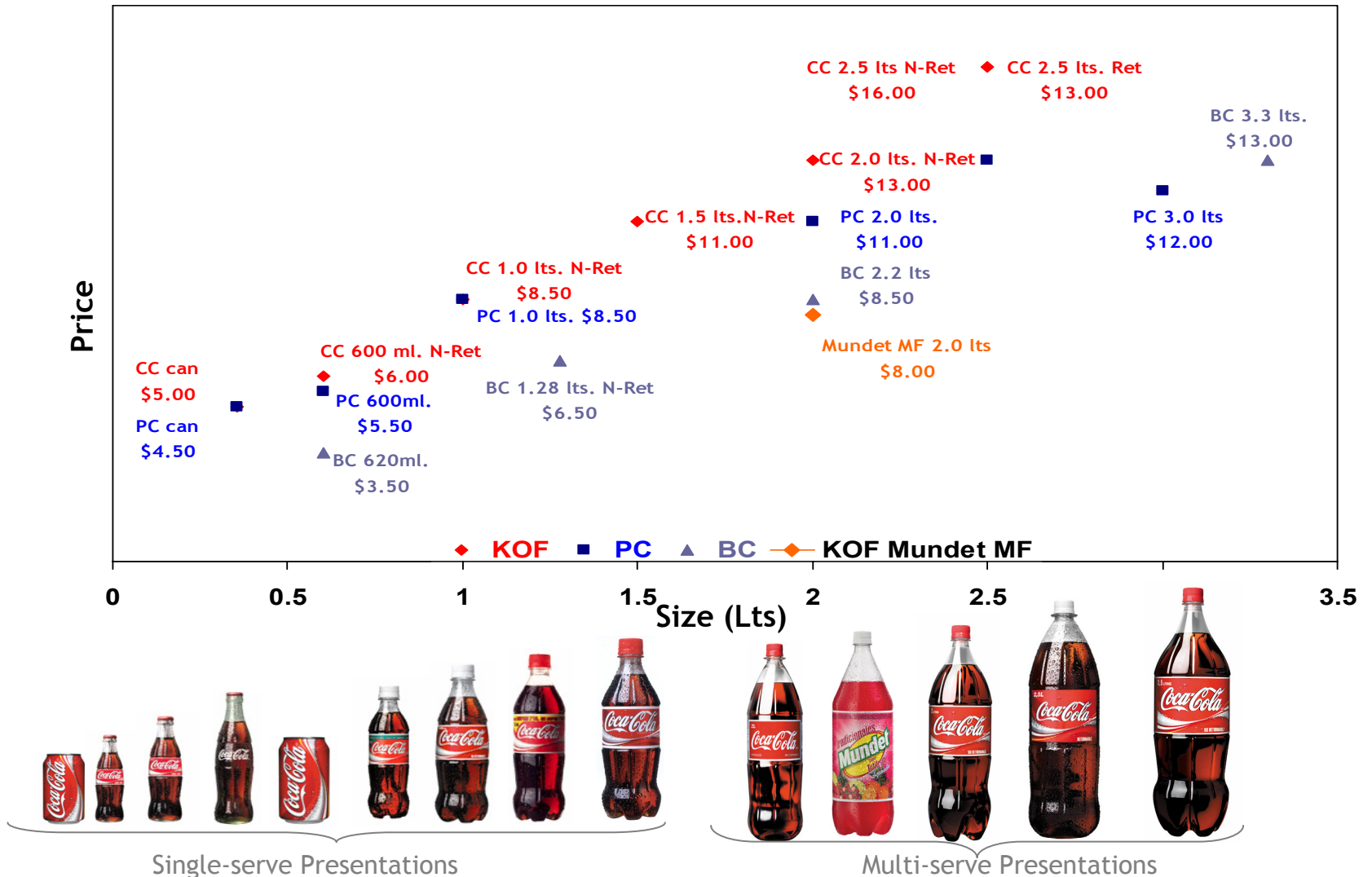
# KOF Mexico - Implementing a market multi-segmentation model

- We have been developing an execution model segmented through a differentiated portfolio, adapting to the competitive environment of the country, like we did it in Argentina.
- The revenue management strategies implemented in Argentina, have provided us with a base of knowledge that we are now implementing in Mexico



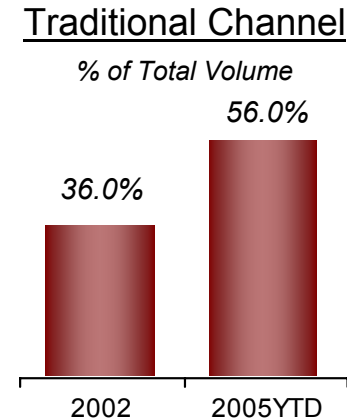
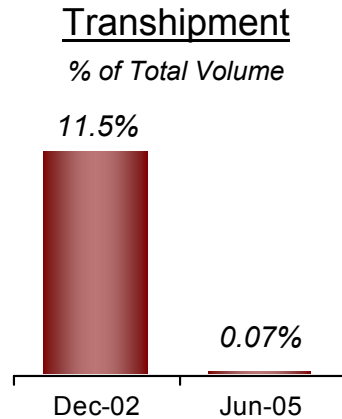
# KOF Mexico - Our "Portfolio of Choice"

- During the last two years we have redesigned our packaging portfolio, now offering more than 14 different packaging presentations for brand Coca-Cola in Mexico with different price points, from Ps. 4 up to Ps. 16
- Additionally, we are strengthening our flavor portfolio with the reintroduction of Mundet Multi-flavors as a regional brand player

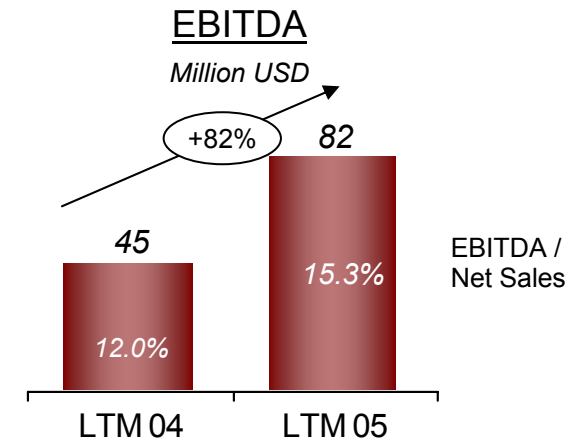
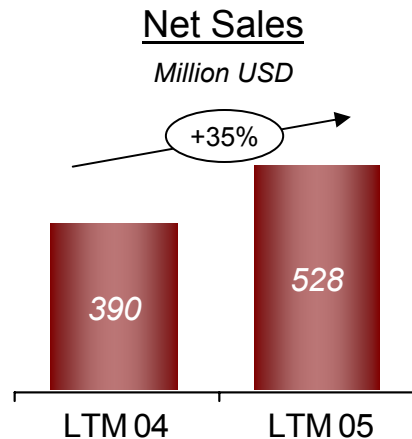
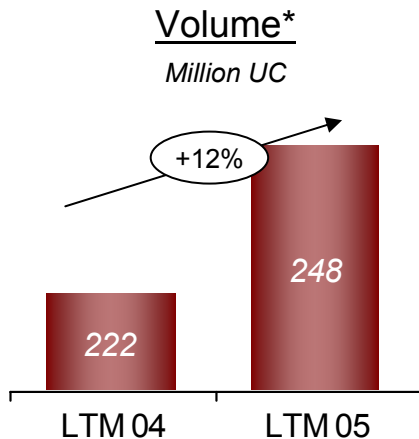


# KOF Brazil – A Successful Turnaround Story

***This experience provided us with the ability to take over the control of the presale function, developed the traditional channel, eliminating transshipment, improving our competitive position ...***



***... and at the same time we regained leverage to establish better selling terms***



\* Does not include Beer Volume.  
LTM information as of September.

# KOF Colombia – A Story of Innovation

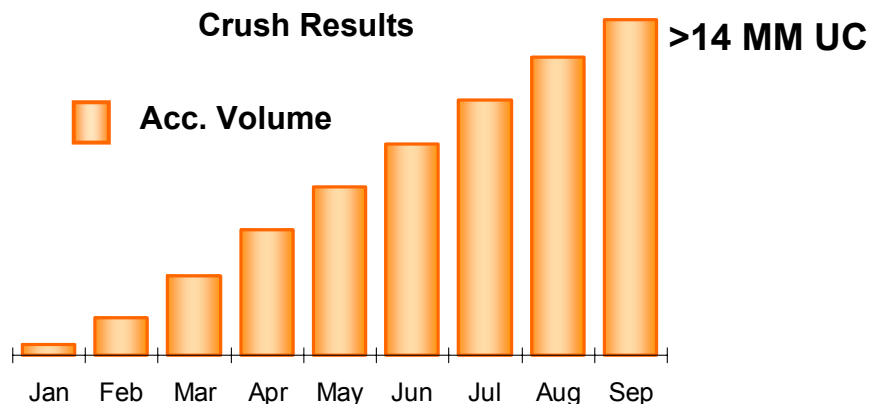
When we arrived in Colombia, we found an overdeveloped flavor segment and a very weak competitive position of KO Brands (market breakdown was 52% flavors and 48% Colas<sup>(1)</sup>)

Together with KO, we built a new flavor portfolio to increase our market share in this segment

- Launching Crush Multi-Flavor brand
- Creating consumer promotions and activations
- Developing innovative in & out flavor strategy
- Improving brand execution in the point of sale



As a result, Crush has exceeded volume expectations and reached a relevant market share in share in the flavor segment



	LTM 04	LTM 05	% Var.
Volume (MM UC)	167.2	175.5	+ 5%
Sales (MM usd)	316.0	412.4	+31%
# Of Plants	17	6	-11
EBIT (MM usd)	35.3	45.1	+28%
EBITDA (MM usd)	53.0	70.7	+33%

(1) In other KOF territories Cola's Segment accounts for 58% of Total CSDs

(2) LTM information as of September

# Leveraging on a strong and flexible asset base...

**Completing the integration and streamlining our asset base, let us develop a more flexible and solid platform to foster growth**

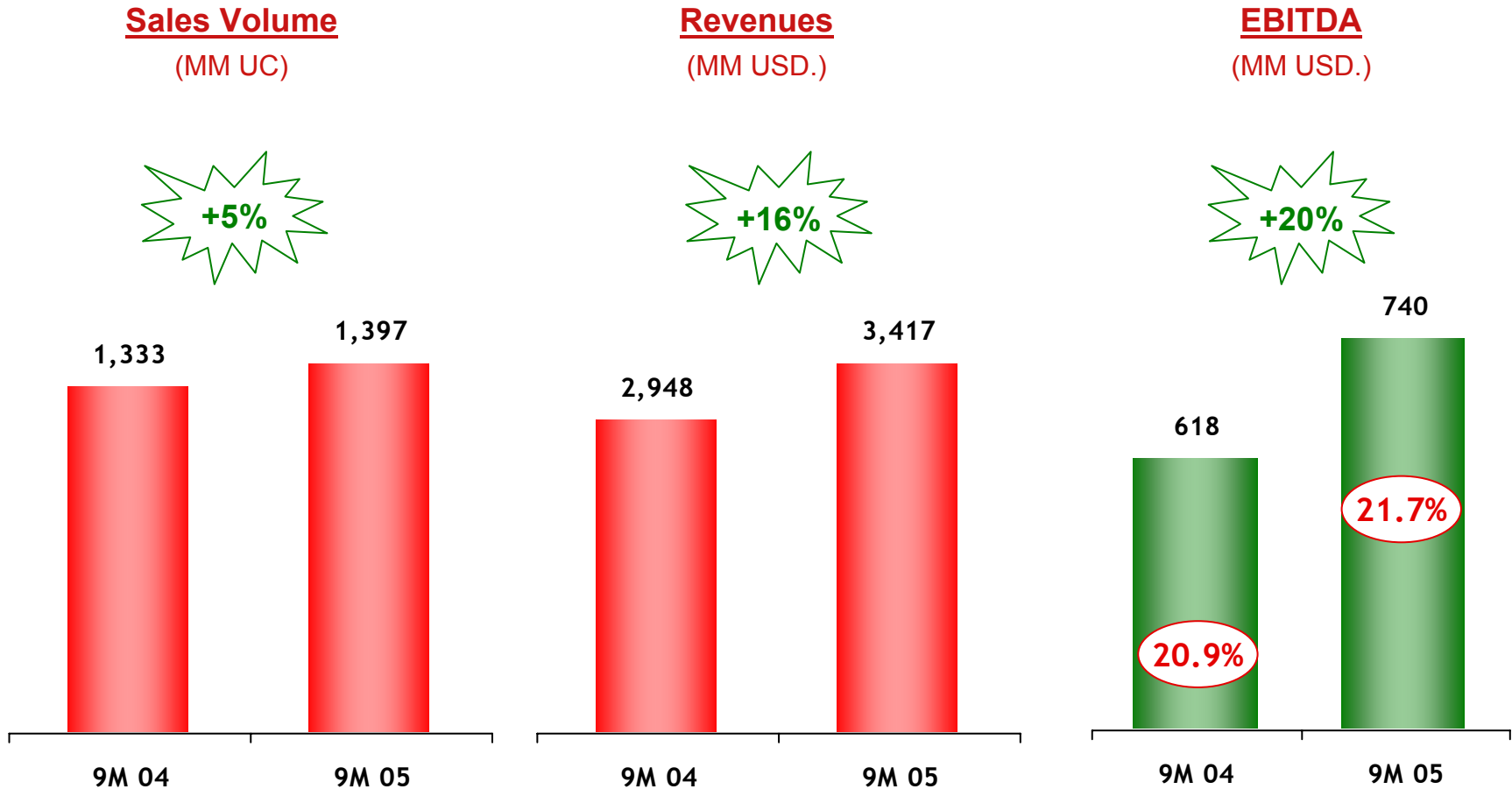
## Operating Efficiencies Indicators

	<u>2003</u>	<u>LTM 2005</u>	<u>Var 03-05</u>
<b>Plants</b>	<b>52</b>	<b>30</b>	<b>- 22</b>
<b>Distribution Facilities</b>	<b>284</b>	<b>237</b>	<b>- 47</b>
<b>Line Utilization</b>	<b>45.0%</b>	<b>54.5%</b>	<b>+ 9.5 pp</b>
<b>Total Headcount<sup>(1)</sup></b>	<b>56,841</b>	<b>55,421</b>	<b>-1,420</b>
<b>CSD Volume (MM UC)</b>	<b>1,493</b>	<b>1,595</b>	<b>+ 6.8 %</b>

(1) Including third parties

# ...our initiatives are supporting our growth...

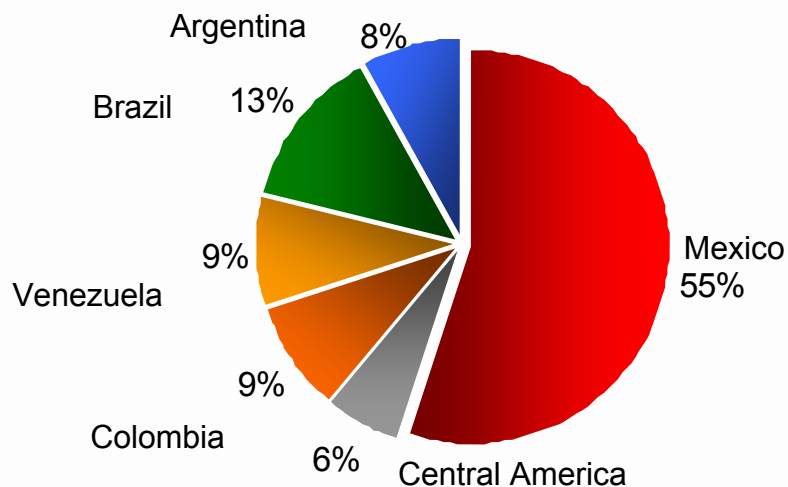
***Our financial results in the first nine months of 2005 showed the results of our strategic initiatives implemented during the last three years intended to improve our market position and our competitive performance...***



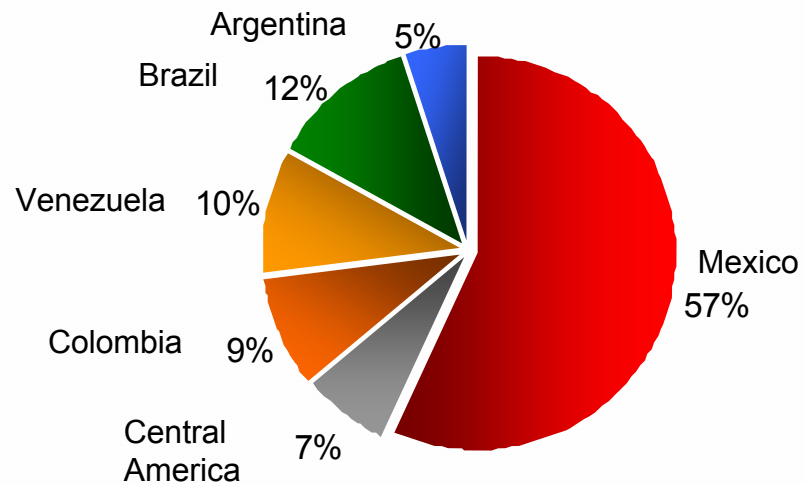
*Note: All figures are in nominal Mexican pesos as of the reported year and converted into US\$ for the respective year end exchange rate.*

# ...with a balanced geographic diversification...

## Volume 9M05 (1,396.9 MM UC)



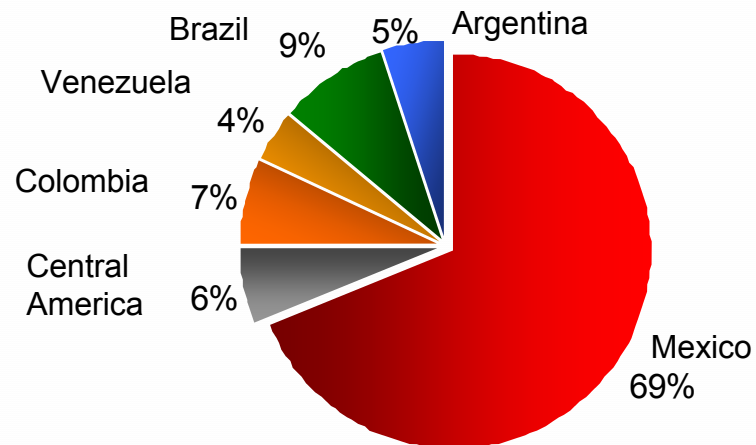
## Revenues 9M05 (US\$3,417 MM) (1)



## Highlights

- Consolidated revenues and EBITDA grew 6% and 9% respectively, during the first nine months of 2005
- Mexico continues to be our most important operation; nevertheless, Brazil now represents our second most important market as a result of its solid financial and operating results

## EBITDA 9M05 (US\$740 MM) (1)



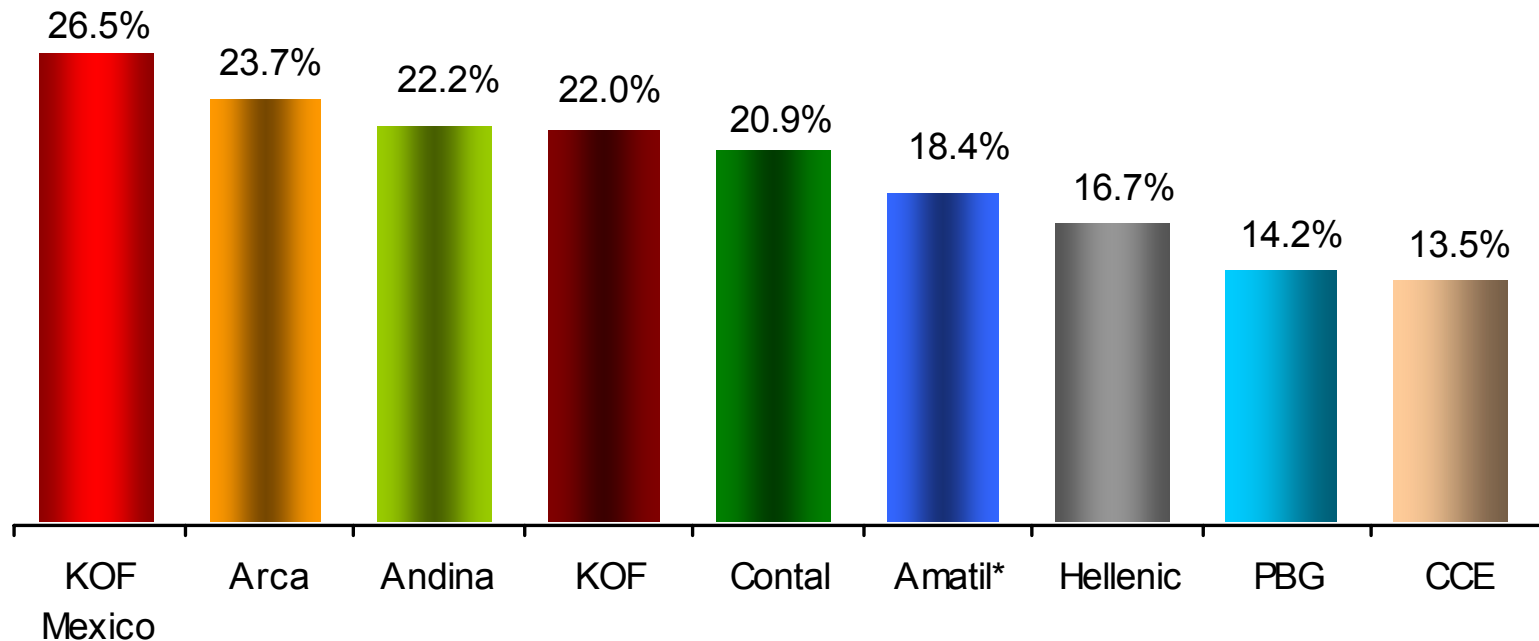
(1) Mexican GAAP figures using end-of-period exchange rate of MXN/USD 10.8131



...remaining one of the most profitable bottlers globally...

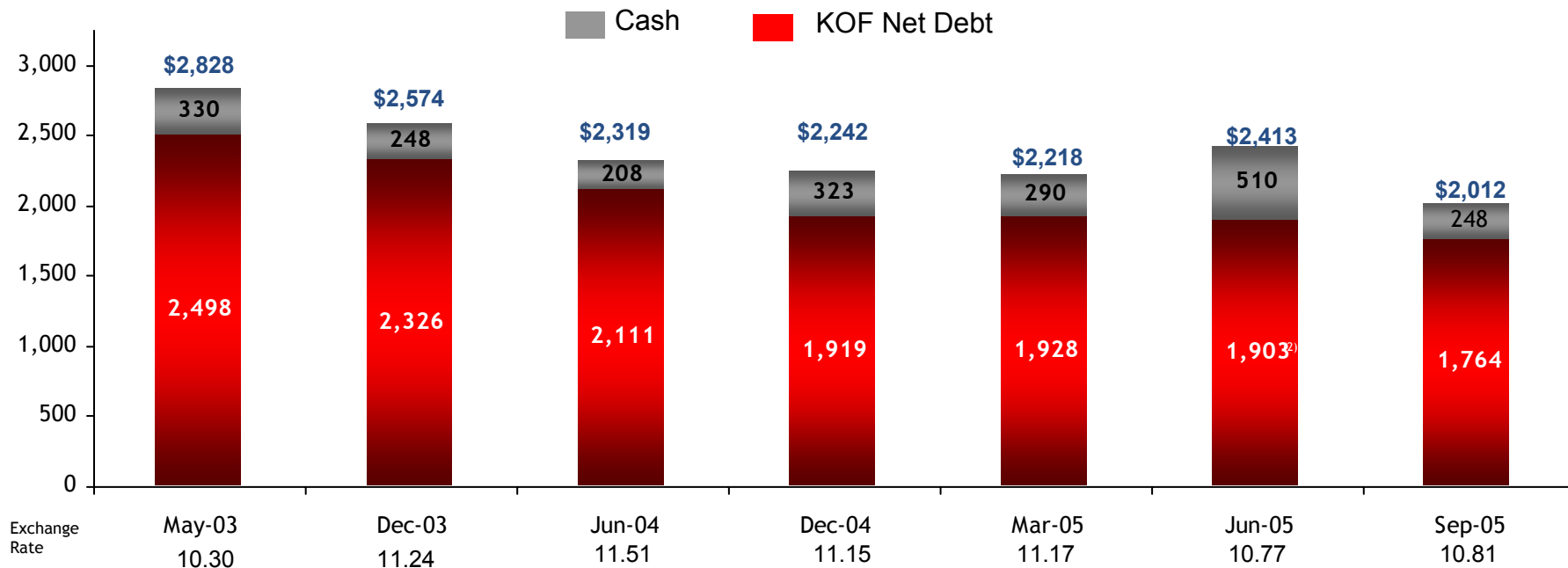
*Our profitability levels are one of the highest worldwide...*

LTM September 05 EBITDA Margin



...with a healthy and strong balance sheet...

**After the acquisition we have managed to reduce net debt by US\$734 mm**



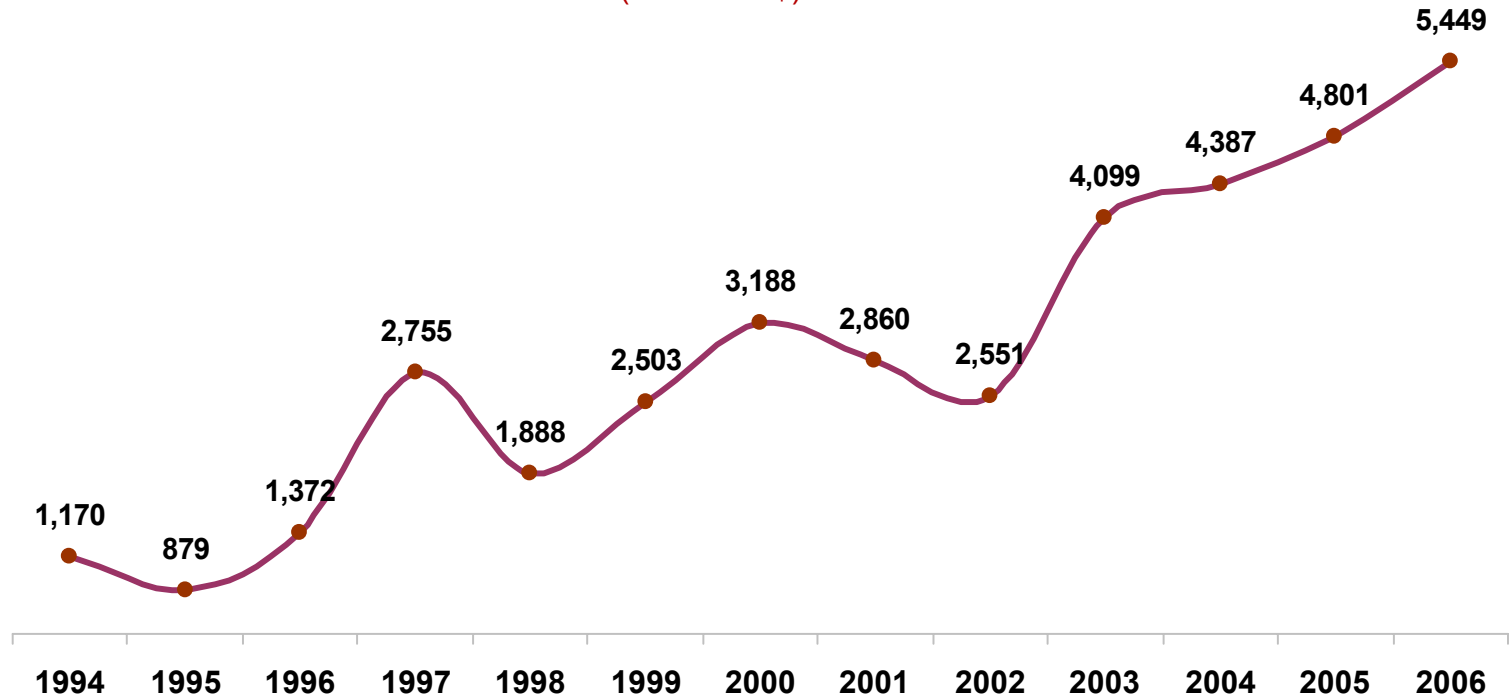
(1) Expressed in millions of U.S. dollars

(2) Includes US\$118 mm of new debt acquired in part to refinance the maturity of one of our "Certificados Bursátiles" maturing on July 15, 2005 in the amount of US\$240 mm

# ... creating sustainable value for our stakeholders

***Our stakeholders have seen significant increases in their investment during the last decade...***

**Market Capitalization**  
(Million US\$)



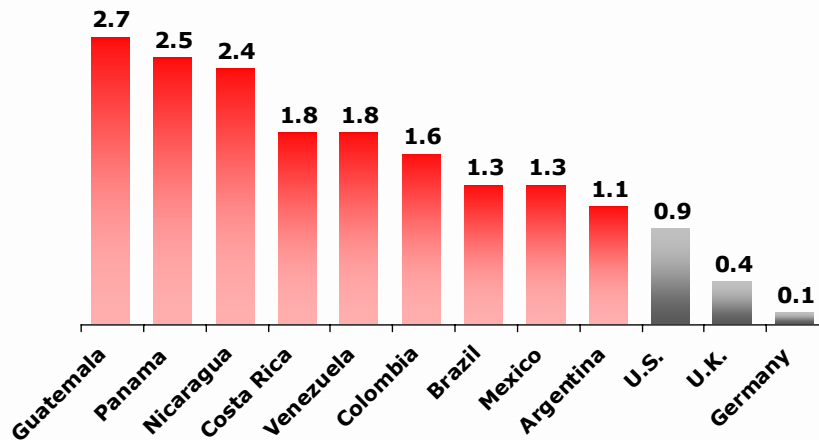
**Stock Price <sup>(1)</sup>**    \$8.20    \$6.17    \$9.62    \$19.33    \$13.25    \$17.56    \$22.37    \$20.07    \$17.90    \$22.21    \$23.76    \$26.00    \$29.52

*(1): Prices as of December 31 of each year, except for 2003 when the price is as of May 6, 2003 and for 2006 the price is as of January 11, 2006  
Sources: Bloomberg and Company reports*

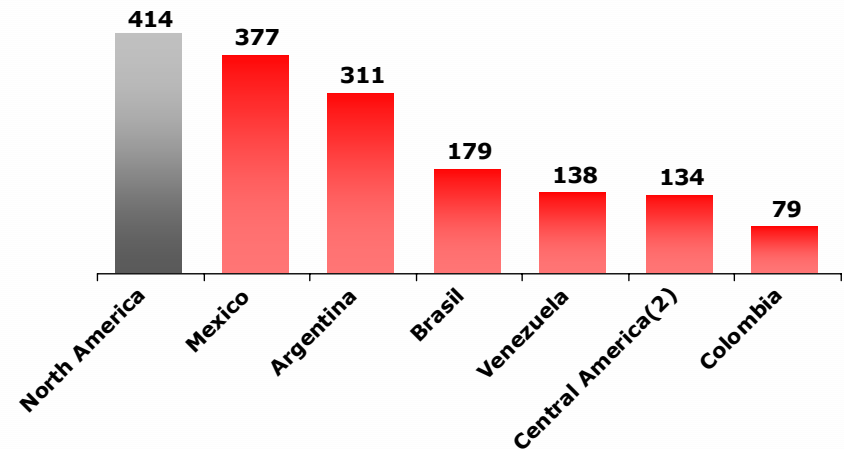
# Growth opportunities

- Improve per capita consumption
- Favorable population and GDP growth
- Opportunity to develop a segmented product portfolio, as in Argentina, in all our territories
- Foster single serve consumption through a wider packaging portfolio
- Opportunity to capture flavored carbonated soft drinks (“CSD’s”) growth with an ongoing pipeline of innovation
- Reinforce our portfolio of premium CSD’s brand alternatives
- Special focus in the non-carb segment with existing and new brands of the Coca-Cola Company
- Focus on bottled water profitability

**Population Growth  
CAGR 2000-2004 (%)**



**CSD per Capita Consumption  
in KOF Territories during 2004<sup>(1)</sup>**



Source: Economic Intelligence Unit, Company filings.

(1) Per capita consumption of soft drinks of Coca-Cola FEMSA products in the territories of Coca-Cola FEMSA, with the exception of North America which consists of KO products.

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