THE COCA-COLA FEMSA

ROUTE TO SUCCESS

COCA-COLA FEMSA 2004 ANNUAL REPORT

SELECTED FINANCIAL DATA

Millions of Constant Mexican pesos and U.S. dollars as of December 31, 2004 (except volume and per share data)

	U.S.$ 2004[1]	(Ps.) 2004
Sales Volume (million unit cases)	1,855	1,855
Total Revenues	4,172	46,499
Operating Income	691	7,696
Majority Net Income	485	5,404
Total Assets	6,017	67,066
Long-Term Bank Loans and Notes Payable	1,949	21,716
Majority Stockholders' Equity	2,638	29,400
Capital Expenditures	173	1,929
Book Value per Share[2]	14.3	15.9
Net Income per Share[3]	2.63	2.93

(1) Assumes a foreign exchange rate of Ps.11.146 per U.S.$ as of December 31, 2004.
(2) Based on 1,847 million outstanding ordinary shares as of December 31, 2004 (184.7 million ADRs). U.S.$ figures per ADR.
(3) Based on 1,846 million weighted average shares outstanding (184.6 million ADRs). U.S.$ figures per ADR.

COCA-COLA FEMSA'S PRESENCE

Coca-Cola FEMSA, S.A. de C.V. (BMV: KOFL; NYSE: KOF) is the second largest *Coca-Cola* bottler in the world, accounting for almost 10% of The Coca-Cola Company's global sales volume. KOF is the largest *Coca-Cola* bottler in Latin America, delivering close to 1.9 billion unit cases a year.

The company produces and distributes *Coca-Cola, Sprite, Fanta,* and other trademark beverages of The Coca-Cola Company in Mexico (a substantial part of central Mexico, including Mexico City and Southeast Mexico), Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide), Panama (nationwide), Colombia (most of the country), Venezuela (nationwide), Brazil (greater São Paulo, Campiñas, Santos, the state of Mato Grosso do Sul, and part of the state of Goias), and Argentina (federal capital and surrounding areas), along with bottled water, beer, and other beverages in some of these territories.

COTIZA EN BOLSA MEXICANA DE VALORES KOF L

KOF Listed NYSE THE NEW YORK STOCK EXCHANGE

The company's capital stock is owned 45.7% by Fomento Económico Mexicano S.A. de C.V. (FEMSA), 39.6% by a wholly-owned subsidiary of The Coca-Cola Company, and 14.7% by the public. The publicly traded shares of KOF are L series shares with limited voting rights that are listed on the Bolsa Mexicana de Valores (BMV: KOFL) and as American Depository Receipts (ADRs) on the New York Stock Exchange (NYSE: KOF). Each ADR represents 10 Series L shares.

now serving over 179 million consumers

in 9 countries, attending to the needs

of approximately 1,500,000 retailers weekly,

offering 64 different beverage brands

to our customers daily

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A YEAR OF GREAT SUCCESS

We did it! In less than two years, we successfully completed the integration of eight new franchise territories, located across North, Central, and South America. Today, we are the pre-eminent bottler of *Coca-Cola* trademark beverages in Latin America—with operations in nine countries—and the second-largest *Coca-Cola* bottler globally, serving more than 1.5 billion unit cases of soft drinks and over 243 million unit cases of water to approximately 179 million consumers each year.

In 2004 our total sales volume reached almost 1.9 billion unit cases. Our consolidated revenues were Ps. 46.5 billion. Our consolidated operating income was Ps. 7.7 billion. And our net income was Ps. 5.4 billion, resulting in earnings per share of Ps. 2.93.

As important as our financial results is how we are successfully changing the way we go to market in our new territories. As a result of our efforts, we are on the right track to maximize our long-term growth and profitability.

So, what was our *route to success*?

1. **Like any successful marriage, we first took the time to get to know one another.** To overcome any cultural hurdles, we focused on understanding our new market territories' distinct cultural dynamics. And we communicated with our new employees, customers, and consumers in a way in which they could clearly

JOSÉ ANTONIO FERNÁNDEZ CARBAJAL *(left)*

Chairman of the Board

CARLOS SALAZAR LOMELÍN *(right)*

Chief Executive Officer

comprehend—and buy into—our core strategies, practices, and values. We not only provided more than 250,000 hours of management training and cross-fertilization programs to enhance our team's ability and to exchange experiences and share talent among a growing pool of multinational executives from our new and existing markets. But we also delved deeper, initiating programs to bring our new employees' families into the fold. Consequently, we were able to transfer and tailor much of our Mexico and Argentine-derived expertise to our new market territories more smoothly, efficiently, and effectively.

2. We put in place commercial practices designed to meet our consumers' particular purchasing patterns and preferences. For example, our disciplined revenue-management strategy is clearly on track in Brazil. There, we've transformed our package, price, and point-of-sale execution relative to where we were just 20 months ago. In Sao Paulo alone, we are now selling 11 different SKUs of brand *Coca-Cola* pursuant to a clear price-package-channel strategy.

3. We are consolidating the value chain to get closer to our consumers. In markets such as Brazil, Colombia, and Venezuela, we are increasing our direct sales to a stable base of retailers—our traditional customers—and minimizing our dependence on indirect sales channels, such as third-party wholesalers and distributors. By recovering the bond between our company and our customers, we will not only enhance our local market knowledge, but also expand our market coverage and penetration.

4. **We are deploying our standardized information technology (IT) platform to facilitate the execution of our best practices and strategies across our market territories.** Our advanced IT platform is the cornerstone of our operating model. Through it, we collect and analyze the customer and consumer information required to tailor our product, package, price, and distribution strategies to fit the particular needs of the consumers we serve in each of our market segments. Our management information systems should prove particularly advantageous in our Central American territories, where no such systems were previously employed.

5. **Finally, we are building on our long-standing relationship with The Coca-Cola Company.** We are working closely with The Coca-Cola Company to leverage our knowledge of local market dynamics and to develop the right portfolio of beverages for our customers and consumers.

At the end of the day, we are offering fresh alternatives and opportunities to our people—our employees, customers, and consumers. As a result, we are better situated to enhance our competitive position throughout our market territories.

This is particularly the case in Mexico, our largest market territory, where we are gradually improving our quarterly level of profitability, despite raw-material cost pressures and a more complex competitive environment. Thus far, we've achieved synergies across the value chain, which have enabled us to partially offset significant increases in raw-material costs and a more challenging competitive environment. And we see further opportunities to streamline our distribution network countrywide. Moreover, our diverse portfolio of single and multi-serve presentations—and our strong focus on effective strategies at the point of sale—are enabling us to sustain our lead market position.

In just 20 months at the helm of the new KOF, we have significantly improved and—in some markets—turned around the performance of our new operations. Nonetheless, our success so far is only the beginning of a dynamic, prosperous, and sustainable journey for our corporation. So as we move ahead, we will continue to prepare, train, and build tomorrow's team of industry leaders today.

We deeply appreciate the continued confidence and support you place in us. By pursuing the right *route to success*, we look forward to extending our superior track record of performance for you.

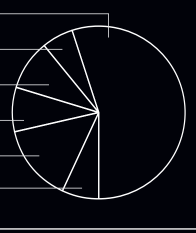
JOSÉ ANTONIO FERNÁNDEZ CARBAJAL
Chairman of the Board

CARLOS SALAZAR LOMELÍN
Chief Executive Officer

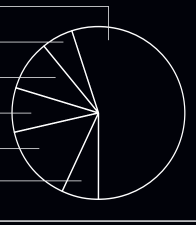
2004 COCA-COLA FEMSA OPERATING HIGHLIGHTS

Operations	Population (Millions)	CSDs Per-Capita Consumption	Retailers (Thousands)	Plants	Distribution Facilities
Mexico	50.7	377	574.6	12	109
Central America	18.7	134	127.4	4	43
Colombia	44.1	79	375.3	6	41
Venezuela	26.0	138	229.6	4	34
Brazil	28.6	179	107.4	3	12
Argentina	11.0	311	82.4	1	5
Total	179.1	205	1,496.7	30	244

2004 Total Volume	(MUC)	As a %
Mexico	990	53.3
Central America	110	6.0
Colombia	167	9.0
Venezuela	173	9.3
Brazil	271	14.6
Argentina	144	7.8
Total	1,855	

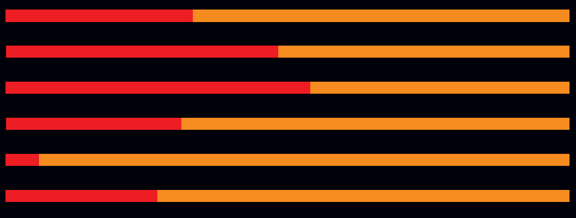


2003 Total Volume	(MUC)	As a %
Mexico	1,001	55.0
Central America	107	5.9
Colombia	172	9.4
Venezuela	152	8.3
Brazil	265	14.5
Argentina	127	6.9
Total	1,824	



2004 COCA-COLA FEMSA OPERATING HIGHLIGHTS

Product Mix by Package(1)

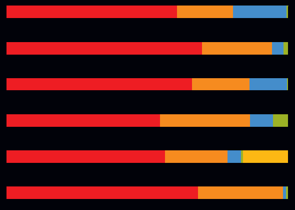


	Returnable	Non-Ret(2)
Mexico	33.2%	66.8%
Central America	48.3%	51.7%
Colombia	54.1%	45.9%
Venezuela	31.2%	68.8%
Brazil(4)	5.8%	94.2%
Argentina	26.9%	73.1%

Product Mix by Size(1)

	Personal(2)	Multi-serving(3)
Mexico	39.1%	60.9%
Central America	49.9%	50.1%
Colombia	53.3%	46.7%
Venezuela	38.2%	61.8%
Brazil(4)	32.0%	68.0%
Argentina	17.0%	83.0%

Product Mix by Category



	Colas	Flavors	Water	Others	Beer
Mexico	60.6%	19.8%	19.1%	0.5%	0.0%
Central America	69.4%	24.9%	4.1%	1.6%	0.0%
Colombia	65.8%	20.6%	13.2%	0.4%	0.0%
Venezuela	54.5%	31.9%	8.2%	5.5%	0.0%
Brazil	56.2%	22.4%	4.8%	0.6%	16.0%
Argentina	68.1%	30.5%	0.8%	0.6%	0.0%

(1) Excludes jug water volumes.
(2) Includes fountain volumes.
(3) Includes packaging presentations of 1.0 Lt. or larger.
(4) Excludes beer volumes.

HÉCTOR TREVIÑO GUTIÉRREZ

Chief Financial and Administrative Officer

AN EXCITING GROWTH STORY

Dear Shareholders: Our geographic diversification is now an important part of our growth story. In 2004 our Central and South American operations represented more than 30 percent of our total cash-flow generation. In fact, the year-over-year profitability improvement of our Central and South American territories compensated for our Mexican territories' lower profitability. As a result, we posted solid consolidated results for the year:

- *Consolidated sales volumes reached almost 1.9 billion unit cases.*
- *Total revenues were Ps. 46.5 billion.*
- *Consolidated operating income totaled Ps. 7.7 billion, and operating margin was 16.6 percent.*
- *Consolidated net income was Ps. 5.4 billion, resulting in earnings per share of Ps. 2.93 (U.S.$2.63 per ADR).*
- *Total net debt at year-end 2004 was approximately U.S.$1.9 billion.*

During the year, we reduced our company's net debt by approximately U.S.$360 million. We further capitalized on the relatively low interest-rate environment and opportunities in the Mexican financial markets to eliminate our re-financing risk, reduce our foreign-currency exposure, and improve our debt-maturity profile.

We refinanced U.S.$640 million of debt maturing from 2005 to 2008, with new six to seven-year loans with tighter pricing conditions.

Today we have a strong balance sheet and a well-balanced capital structure. More than 70 percent of our total debt is denominated in local currency, mostly Mexican pesos, and more than 80 percent of our total debt carries a fixed rate of interest.

Furthermore, we completed our corporate-governance initiatives ahead of schedule. These initiatives included our implementation of an internal certification process for each country's financial and non-financial information, improved internal control systems to monitor our organization's best practices, evaluation mechanisms to assess the performance of our internal control systems, and the creation of internal corporate and regional disclosure committees.

These are exciting times for our company. We are already realizing the rewards of the consolidation process and seeing improved profitability across our network.

In 2004 we turned around the performance of our Venezuelan operations and significantly improved our results in Brazil. We achieved record levels of profitability in Argentina. We increased the per-capita consumption of our beverages in Central America. And we stabilized and showed sequential profitability improvement in Mexico and Colombia.

For the year, our Brazilian operations generated almost as much operating cash flow as our Venezuelan operations—underscoring this market's growth potential. Other 2004 highlights included our strong volume growth, our lower level of transshipments, and our selective introduction of new returnable presentations.

In Venezuela, we achieved strong incremental volume growth, driven by each beverage category in our portfolio. Our introduction of new products and presentations contributed significantly to our top-line growth. We further increased our operations' profitability through our ongoing efficiency efforts. We expect these initiatives will continue improving our productivity going forward.

Our Argentine operations extended their already impressive string of double-digit volume increases and profitability records. We continued to benefit from the rapid recovery of consumption and higher sales—driven by our successful revenue-management strategy.

In Central America, our carbonated soft-drink sales volume grew 3.4 percent to 104 million unit cases. This growth was driven largely by the implementation of our multi-segmentation strategy throughout the region.

Our Mexican operations showed positive sequential improvement during the second half of the year. Despite significant competitive and cost pressures, our carbonated soft-drink revenues stabilized, our single-serve volume gradually recovered, and our operating margin improved—ending the year at 20.7 percent. Through the integration process, we achieved important synergies, which allowed us to partially offset significant increases in raw-material costs and a more complex competitive environment. Moreover, we see ample opportunities to streamline our distribution network countrywide.

As we look forward, it is clear our geographic diversification will enable us to foster better balanced top and bottom-line growth. Now that we have successfully finished the integration process and restructured our debt, we can focus even more of our attention on growing our company's top and bottom line.

Thank you for your continuing support. With the successful integration of our new operations, we are well-positioned to create sustainable value for you now and into the future.

HÉCTOR TREVIÑO GUTIÉRREZ
Chief Financial and Administrative Officer

Our route to success is not easy.
There are 179 million consumers to serve;
almost 1,500,000 retailers to attend;
eight new territories to consolidate;
nine different countries to manage;
economic caution signs to navigate;
and competitive speed bumps to avoid.
But, when we have a steadfast partner
named The Coca-Cola Company;
a burning passion to satisfy
our consumers' thirst; a respect for
the individuals who we meet every day;
an engine fueled with creativity and innovation;
and a best-in-class team to drive; we will
make it to a place called success!

We invite you to take a journey across
our markets and see examples of how
we achieve our success today.

MEXICO

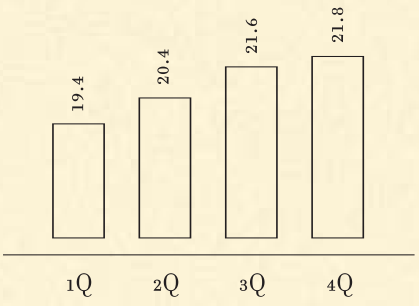
WE'RE TRANSFORMING

our commercial initiatives in line with consumers' particular preferences and purchasing patterns, while laying the foundation for profitable growth

In 2004 we completed the integration of our new operations in the face of a more competitive and complex market environment. As a part of this process, we consolidated 5 plants and 33 distribution centers. We rationalized the value chain, implementing uniform practices and procedures across our distribution network, and identified additional opportunities to streamline our network countrywide. We significantly advanced the deployment of our management information systems—including our hand-held computers and standardized IT platform—throughout our Mexican territories; with these systems in place, we can now focus on rolling out our successful market-segmentation strategy. More importantly, we finalized the reorganization of our commercial and marketing areas, putting in place a strong, talented, and experienced team.

We tailored our portfolio of products and packages to stimulate and meet consumer demand. After a year and a half of commercial research and development, we have a more effective packaging portfolio for brand *Coca-Cola*, better suited for current market dynamics. Our 2.5-liter returnable presentation of *Coca-Cola* has proved particularly popular; it has enhanced the value proposition for our more cost-conscious consumers and reduced the gap with our competitors' low-price brands.

EBIT MARGIN



Likewise, we launched our 1.5-liter PET presentation of *Coca-Cola* and re-launched our 2.0-liter PET presentation of *Coca-Cola* to fill competitive and consumer needs. We also rolled out our choice portfolio strategy to offer consumers a selection of personal-size *Coca-Cola* presentations—from 8-ounce cans to 710-milliliter PET packages—at a price range from three to seven pesos. Furthermore, we bolstered the core brands by introducing innovative flavors, such as *Lift Golden Apple* and *Senzao Guaranaranja*. Simultaneously, we launched *Mundet Multi-flavors* in various territories to strengthen our flavored soft-drink portfolio and compete against traditional regional brands. Together, these new flavors accounted for two thirds of our incremental flavor volumes in 2004.

DID YOU KNOW?

We sell an average of 2.7 million unit cases a day through about 575,000 retailers in Mexico.


Mexico
Monumento a la Independencia
Coca-Cola
Paseo de la Reforma
ZÓCALO
LIFT
Viaducto Miguel Alemán
Palacio de Bellas Artes
Mexico City
Avenida Insurgentes
Catedral Metropolitana
Museo Nacional de Antropologia

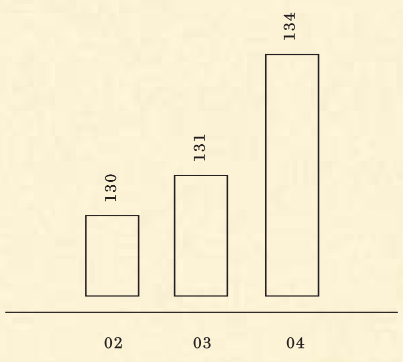
Central America

WE'RE ADVANCING

our commercial strategies and systems across the region

We are working closely with our colleagues from Mexico and Argentina to replicate market strategies, including our successful packaging and pre-sale systems. To bolster our competitive position within the region, we have launched an expanded mix of returnable and family-size packages—including our 2.5-liter returnable presentation of brand *Coca-Cola*, our 2.0-liter returnable presentation of brand *Coca-Cola* and selected flavor brands, and our 1.5-liter returnable and non-returnable presentations of brand *Coca-Cola*. By rolling out a wider array of multi-serve returnable presentations, we make *Coca-Cola* trademark beverages more attractive to price-sensitive consumers, we attract a larger—and more loyal—base of customers, and we increase the per-capita consumption of our products across the region.

CSDs PER-CAPITA CONSUMPTION



INCREASE
of
+20.4
Percentage Points in Pre-sale Coverage in 2004

Frequent service visits and deliveries to retailers are essential elements of our soft-drink sales-distribution system. So we have continued to expand our successful pre-sale program throughout our Central American operations. Through our pre-sale system, we separate the sales and delivery functions. This allows our sales people to sell products prior to delivery and to provide merchandizing services during their retailer visits, enabling us to enhance the presentation of our products at the point of sale. It also enables us to load our trucks with the precise mix of products that the retailer ordered and, thereby, increase our distribution efficiency. In 2004 we had trained almost 100 percent of our pre-sellers and sold almost 70 percent of our Central American sales volumes through our pre-sale system.

DID YOU KNOW?

The average temperature of our Central American markets is around 82° F or 28° C.

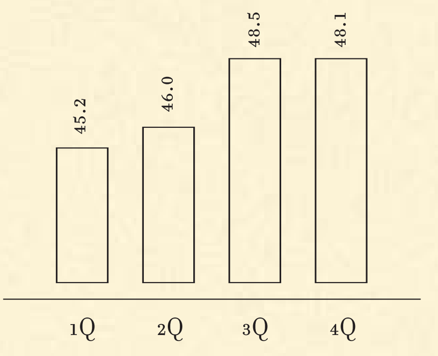
COLOMBIA

WE'RE TURNING AROUND

our operating efficiency, improving our profitability, and enhancing our marketplace execution

Our transformed business model in Colombia is beginning to bear fruit. Through our ongoing asset rationalization process, we have managed to turn around our operating efficiency and productivity. Since May 2003, we have consolidated 11 manufacturing plants, out of 17, and converted them into distribution centers to focus our efforts more on market execution. We have further bolstered our management team to strengthen our commercial and marketing capabilities. As a result, we have expanded our gross margins by almost 300 basis points during 2004. Moving forward, one of our key challenges is to continue increasing our levels of productivity and asset utilization.

GROSS MARGIN



INCREASE

of

+20.9

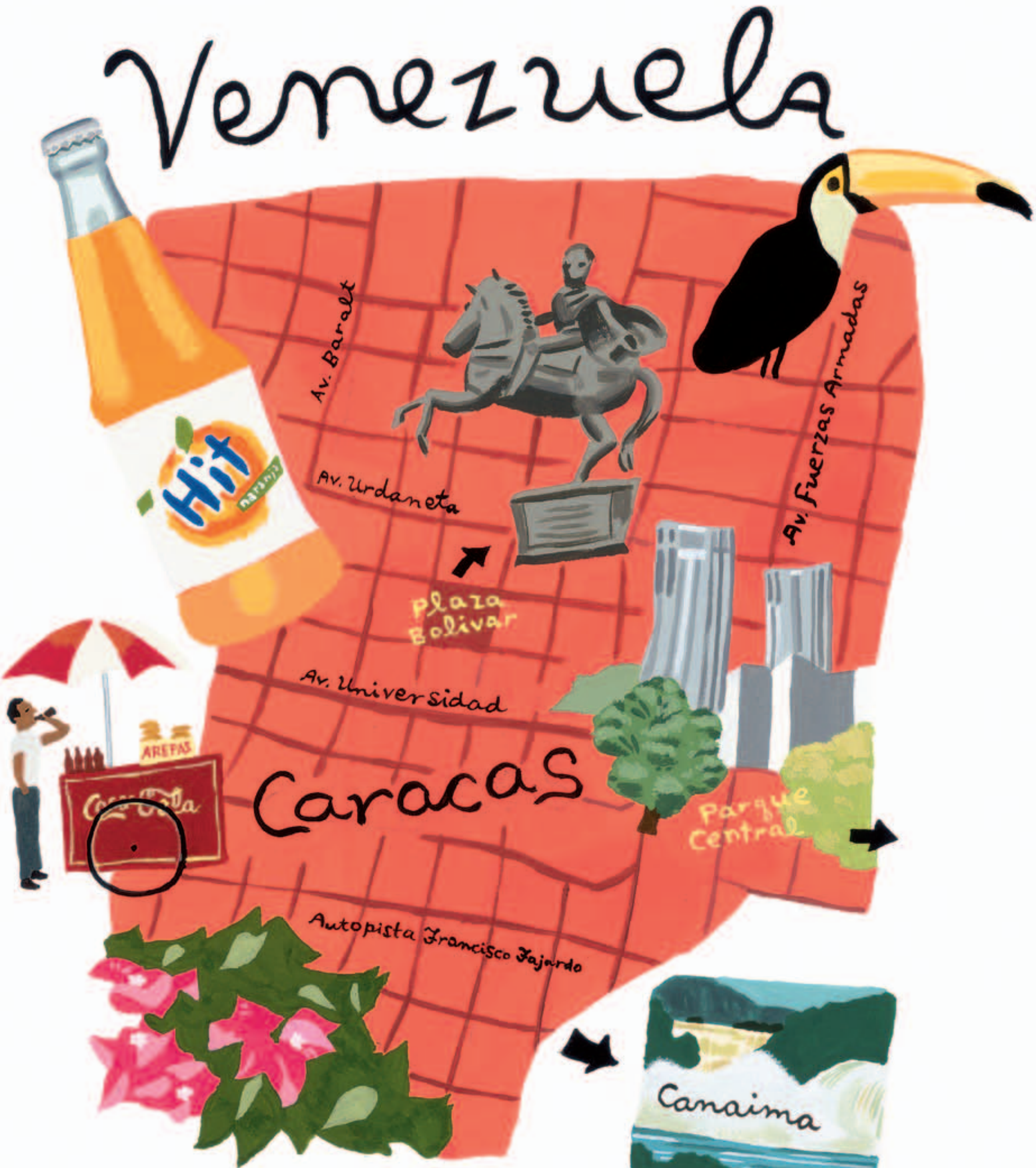
Percentage Points in Production Line Utilization in 2004

Over the course of 2004, we took several steps to reinvigorate consumption of *Coca-Cola* trademark beverage brands. We focused our marketplace initiatives on fostering future consumption of brand *Coca-Cola*, and we implemented commercial activities to improve our execution at the point of sale. Consequently, we grew our sales volume of brand *Coca-Cola* and its line extensions by 2.0 million unit cases in 2004 after two years of decline. Additionally, after a thorough review of our flavored soft-drink portfolio with The Coca-Cola Company, we launched *Crush Multi-flavors* nationwide at the beginning of 2005. This launch is designed to enhance our competitive position, foster demand for flavored soft-drink brands, and leverage our extended distribution and improved execution capabilities countrywide.

DID YOU KNOW?

We offer our beverages to 60% more people than in Venezuela and Brazil.


Colombia
Carrera 10
Carrera 7
El museo del Oro
Bogota
Av Jiménez
Coca-Cola
Plaza de Bolivar
Calle 9
QuAtro
toronja


Venezuela
Av. Baralt
Av. Urdaneta
Plaza Bolivar
Av. Fuerzas Armadas
Hit
AREPAS
Av. Universidad
Caracas
Parque Central
Autopista Francisco Fajardo
Canaima

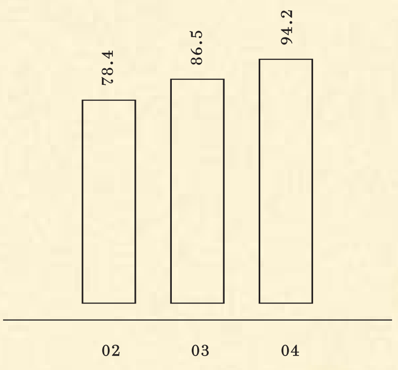
VENEZUELA

WE'RE ADAPTING

our strategies and best practices to suit Venezuela's marketplace environment

We are tailoring our commercial strategies and operating practices to capitalize on Venezuela's market opportunities. On the operations front, we are adapting lessons learned from Mexico and Argentina to improve our efficiency and productivity more rapidly. Since May 2003, we have converted five manufacturing plants into distribution facilities, streamlining our total number of plants from nine to four. We have used the company's scale to negotiate more favorable terms with our suppliers for myriad items—from manufacturing equipment, to raw materials for our bottles and cases, to replacement parts for our delivery trucks. Also, we have dramatically improved our dialogue with our employees and the unions, so that they can more clearly understand the challenges we face. We expect these initiatives will enable us to enhance our productivity going forward.

BRAND COCA-COLA SALES VOLUME (MUC)



375

MM Pesos

EBIT generation

Like Argentina, we leveraged Venezuela's economic recovery to post strong volume growth across practically every product and package category. We took advantage of the country's changing consumption patterns to roll out 2.25-liter and 3.1-liter non-returnable presentations of the value-protection brand *Grapette*. This should enable us to establish a broader base of price-conscious consumers. Additionally, our focus on increasing the visibility of our core brands is furthering our planned recovery of the *Hit* brand, which has shown volume growth of more than 20 percent over the last two years. In 2004 our volume of flavored carbonated soft drinks increased more than 24 percent, and our volumes of brand *Coca-Cola* rose more than 8 percent.

DID YOU KNOW?

We offer our beverages to 26 million consumers, a similar-sized market to the one we serve in Brazil.

BRAZIL

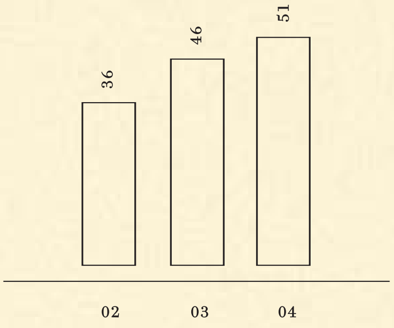
WE'RE WORKING TOGETHER

to reinvent our business and take advantage of Brazil's improving economy

We are implementing a new business model in Brazil, designed to offer the right brand, in the right presentation, at the right price for almost any consumer occasion. To execute this new model, we devoted more than 36,000 hours to sharing our expertise through myriad formal and informal training sessions. We further delved deeper and included our new employees' families within our broader corporate family. Among our initiatives, we conducted conferences and held our first-annual "Family Day," inviting close to 10,000 employees, workers, and their families to enjoy a good time together. Consequently, we were able to leverage Brazil's improving economy and execute strategies designed to bolster our business.

Together with The Coca-Cola Company, we are fostering greater coordination and dialogue among the *Coca-Cola* bottling system.

% SALES VOLUME
IN THE TRADITIONAL SALES CHANNEL



458

MM Pesos

EBIT generation

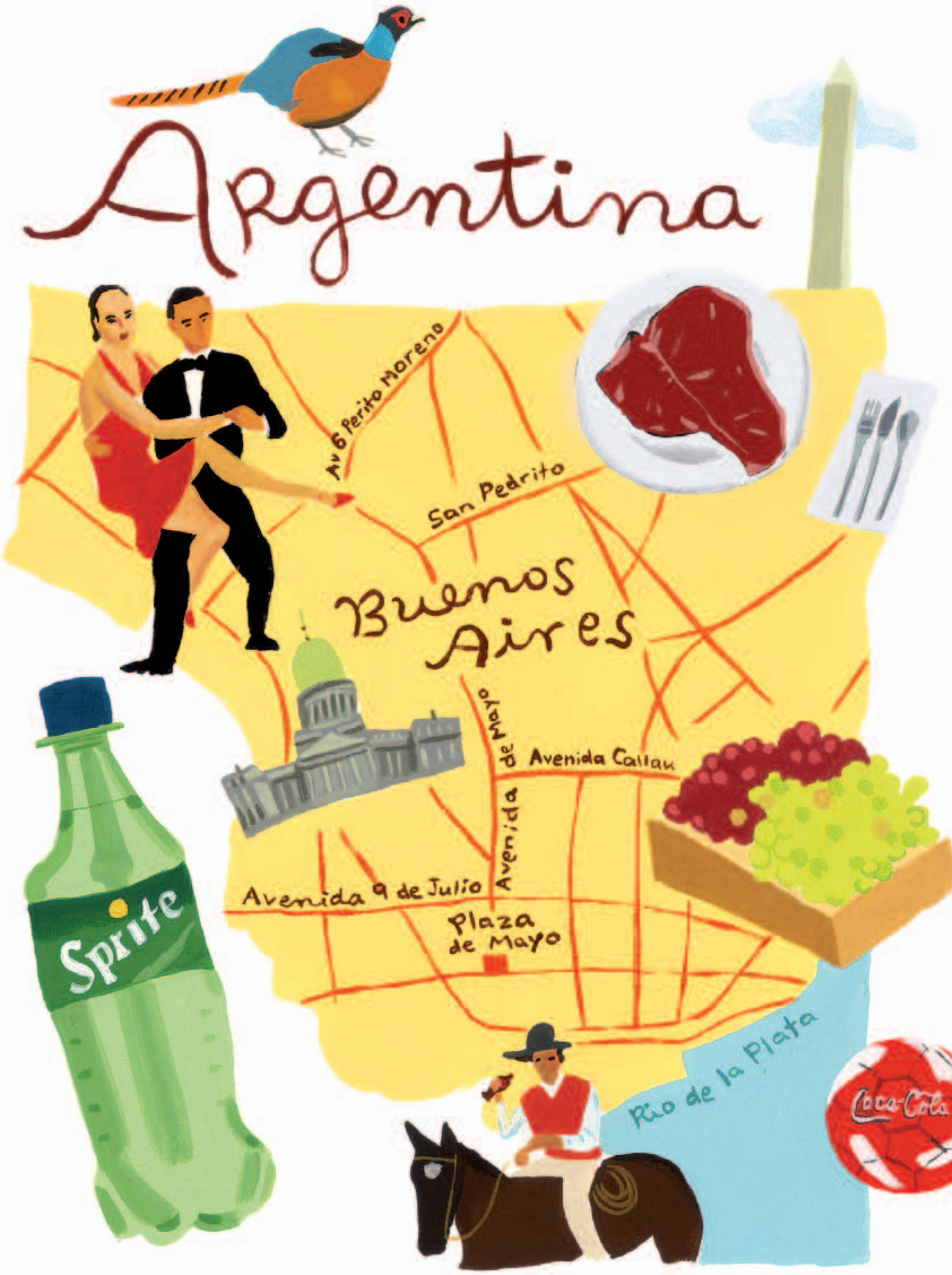
To get closer to our consumers, we are implementing a focused strategy to consolidate the value chain. We are reducing our dependence on indirect sales channels—such as third-party wholesalers and distributors—and increasing our direct sales to a growing base of retailers. As a result, we have grown from a base of 83,000 retailers in May 2003 to more than 107,000 retailers today.

To serve our growing base of customers and consumers, we are diversifying our packaging mix from 2.0-liter non-returnable packages and cans—which together accounted for almost 80% of sales volumes in 2002—to a wider array of returnable and non-returnable presentations. Since May 2003, we have successfully launched more than 8 different presentations.

DID YOU KNOW?

We represent almost 20% of The Coca-Cola Company's sales volume in Brazil.


Brazil
CAFÉ D
BRASIL
Av. Reboucas
Sao
Paulo
Coca-Cola
Coca-Cola
Av. Nove de Julho
Av. Brigadeiro
Coca-Cola


Argentina
Av 6 Perito Moreno
San Pedrito
Buenos Aires
Avenida de Mayo
Avenida Callau
Avenida 9 de Julio
Plaza de Mayo
Rio de la Plata
Sprite
Coca-Cola

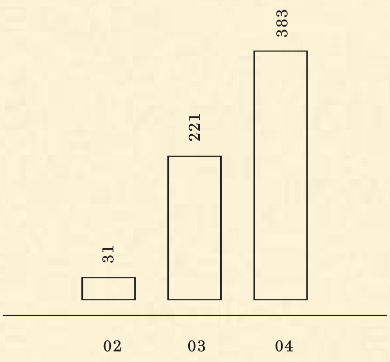
ARGENTINA

WE'RE SHARING

our knowledge successfully in Brazil and achieving record performance in Argentina

Argentina is serving as a seed of knowledge for our Brazilian operations. Through our ongoing cross-fertilization and training-cells program, we are taking advantage of our experience to expedite the transfer and application of our best practices in Brazil. Consequently, we are achieving better results in even less time than we did in Argentina. For example, when we entered Brazil, we encountered the same type of transshipments as we did in Argentina. And, in less than two years, we've managed to reduce our Brazilian territory's transshipments to their lowest level in many years. Additionally, we have worked together to increase Brazil's pre-sale efficiency, from 49 percent to more than 75 percent today, and to eliminate bottlenecks at our Brazilian plants—improving our bottling lines' efficiency by 23 percent over 2003.

EBIT (MM Ps.)



In Argentina, we achieved record levels of profitability and balanced volume growth across our beverage categories. Our multi-segmentation strategy enabled us to capitalize on the country's improving economy to drive consumption of popular *Coca-Cola* trademark beverages, optimize our market coverage, and reach new customers through our effective use of returnable and non-returnable packages. Additionally, our successful revenue-management strategy allowed us to realize a higher average price per unit case, despite higher sales of our more affordable returnable packages and multi-serve presentations of the value-protection brand.

Total
REVENUES
17%
growth in 2004

DID YOU KNOW?

Argentines consume more than 300 eight-ounce servings of our soft drinks each year.

WE'RE BUILDING

a business founded on respect for individual rights and dignity, and committed to the principles of sustainable development

Our company's founders recognized that our business is built on trust. Through our good corporate citizenship, we work to develop deep, lasting shareholder relationships and to earn the confidence of the countries, communities, and consumers we serve.

Our care for the environment is codified in our company's environmental policy; its principles are to:

- *Maintain our leadership in the areas of health, safety, and environmental stewardship*
- *Identify innovative environmentally friendly technology across our production and commercial chain*
- *Foster a safe and secure workplace environment throughout our organization*
- *Continuously train our people to protect our organization's health, security, and surroundings*
- *Comply with all established rules and regulations, always working with authorities to further any action that protects our environment*
- *Constantly evaluate our plants, processes, and working teams to identify opportunities to increase our operating efficiency, improve our resource allocation, and enhance our performance*
- *Maintain open and honest communications with authorities and our society at large, sharing and collaborating with them on any action that protects our environment*

99%

of our COOLER EQUIPMENT use gases that are harmless to the ozone layer

We further put our principles into practice through The Coca-Cola Company Environmental Management System, known as the eKOsystem. As a member of the *Coca-Cola* bottling system, we continually move our business toward sustainability; we strive to consume fewer natural resources and to recover and reuse resources more extensively. Over the last five years, we have reduced our consumption of water across our production facilities, particularly in Mexico. There, we have saved approximately 4.6 million cubic meters of water. Also, in partnership with The Coca-Cola Company and ALPLA—a manufacturer of PET bottles—we together have invested U.S. $20 million to build one of the largest PET recycling plants in the world. Located in Toluca, Mexico, this plant will start operations in the first quarter of 2005, with a PET recycling capacity of 15,000 metric tons per year.

DID YOU KNOW?

The water we have saved in Mexico equals the usage of 16,600 households a year.

Winners from our Annual Painting Contest among our employees' children

FINANCIAL SECTION

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SEVEN-YEAR SUMMARY

Millions of constant Mexican Pesos (Ps.) as of December 31, 2004, except income per share

	2004	2003(1)	2002	2001	2000	1999	1998
INCOME STATEMENT							
Total revenues	46,499	38,121	19,586	18,597	17,840	15,939	15,064
Cost of sales	23,964	19,367	9,098	8,630	8,675	8,294	8,191
Gross profit	22,535	18,754	10,488	9,967	9,165	7,645	6,873
Operating expenses(2)	14,839	11,655	5,581	5,594	5,653	5,034	4,646
Intangible amortization	–	–	41	113	121	131	142
Income from operations	7,696	7,099	4,866	4,260	3,391	2,480	2,085
Integral cost of financing	798	2,582	(584)	141	655	384	503
Other expenses, net	408	260	638	94	113	78	259
Income taxes and employee profit sharing	1,063	1,776	2,012	1,587	1,128	901	549
Net income for the year	5,427	2,481	2,800	2,438	1,495	1,117	774
Majority net income	5,404	2,463	2,800	2,438	1,495	1,117	774
Minority net income	23	18	–	–	–	–	–
RATIOS TO REVENUES (%)							
Gross margin (profit/net sales)	48.7	49.5	54.0	54.0	51.6	48.1	45.9
Operating margin	16.6	18.6	24.8	22.9	19.0	15.6	13.8
Net income	11.7	6.5	14.3	13.1	8.4	7.0	5.1
CASH FLOW							
Gross cash flow (EBITDA)(3)	10,020	8,863	5,967	5,449	4,754	3,696	3,061
Capital expenditures(4)	1,929	2,007	1,481	909	1,016	1,521	1,691
BALANCE SHEET							
Current assets	9,050	8,719	8,782	6,689	3,413	1,864	1,429
Property, plant and equipment, net	18,672	19,133	7,773	7,381	7,708	8,145	8,461
Investments in shares	418	518	136	152	169	165	135
Deferred tax and other assets, net	2,812	2,827	928	591	499	464	439
Intangible assets, net	36,114	35,471	283	1,014	1,717	1,947	2,413
Total Assets	67,066	66,668	17,902	15,827	13,506	12,585	12,877
Liabilities							
Short-term bank loans	3,272	3,132	10	16	18	30	1,540
Long-term bank loans and notes payable	21,716	27,456	3,467	3,226	3,540	3,770	4,422
Interest payable	314	395	79	73	80	87	107
Other current liabilities	7,101	6,675	2,728	2,628	2,204	2,517	1,426
Other long-term liabilities	4,554	4,716	1,037	932	1,188	283	206
Total Liabilities	36,957	42,374	7,321	6,875	7,030	6,687	7,701
Stockholders' Equity	30,109	24,294	10,581	8,952	6,476	5,898	5,176
Majority interest	29,400	24,120	10,581	8,952	6,476	5,898	5,176
Minority interest	709	174	–	–	–	–	–
FINANCIAL RATIOS (%)							
Current	0.85	0.85	3.12	2.46	1.48	0.71	0.46
Leverage	1.23	1.74	0.77	0.85	1.09	1.13	1.49
Capitalization	0.42	0.57	0.26	0.28	0.36	0.39	0.62
Coverage	4.42	6.45	67.05	91.93	19.14	8.03	4.88
DATA PER SHARE(5)							
Book Value	15.922	13.063	7.425	5.994	4.545	4.139	3.632
Majority net income	2.927	1.445	1.965	1.711	1.050	0.784	0.543
Dividends paid(6)	0.292	–	0.449	0.244	0.199	0.161	0.160
Headcount(7)	56,238	56,871	14,457	14,542	15,054	15,273	15,003

(1) Information considers full-year of KOF's original territories and eight months of our new territories acquired from Panamco.
(2) 1998 figure includes the fixed-asset adjustment from the write-down in the value of computer equipment and information systems.
(3) Income from operations plus non-cash charges.
(4) Includes investments in property, plant and equipment, returnable bottles and cases and other assets, net of retirements of property, plant and equipment.
(5) Based on 1,425 million shares until 2002, 2003 was computed using 1,846.4 million shares and the net income per share with 1,704.3 million and 2004 using 1,846.5 million and the net income per share with 1,846.4 million.
(6) Dividends paid during the year based on the prior year's net income.
(7) Includes third-party headcount.

We began consolidating the results of the territories previously operated by Panamerican Beverages, Inc. ("Panamco") during the second quarter of 2003 in accordance with Mexican GAAP. Panamco historically prepared its financial statements in accordance with US GAAP and presented information in US dollars. We prepare our financial statements in accordance with Mexican GAAP and present information in Mexican pesos. The results of our new territories in Mexican GAAP and Mexican pesos are different from and may not be comparable to those reported by Panamco for prior periods. In addition, Panamco's results are not included in our financial statements for periods prior to May 2003.

Financial information will not be comparable on an annual basis until the end of 2005. For volume comparison purposes, we have included the sales volume figures recorded by Panamco from the start of January 2003 through the end of April 2003.

Consolidated Results

Consolidated sales volume reached 1,855.3 MUC in 2004, increasing 1.7% versus 2003, mainly driven by Carbonated Soft Drinks ("CSD") volume growth, which more than compensated for jug water volume declines in Mexico and Colombia and flavored CSD volume declines in Colombia and Brazil.

During 2004, CSD sales volume grew close to 4% driven by solid growth from brand *Coca-Cola*, which increased 3% year over year in the aggregate in all of the countries where we operate, and strong growth of our flavored CSD categories in almost all of our operations except Brazil and Colombia. Introduction of new multi-serve presentations and product and package-segmentation efforts among distribution channels contributed significantly to these results.

Consolidated total revenues grew 22.0% to Ps. 46,499 million in 2004, from Ps. 38,121 million in 2003, as a result of the inclusion of sales for the full year of 2004 from the newly acquired territories, as well as, sales increases in certain existing territories. Consolidated average price per unit case decreased 4.4% from Ps. 26.11 in 2003 to Ps. 24.95 in 2004, mainly driven by CSD average price decline in our Mexican territories and lower prices in the new territories.

Cost of sales increased to Ps. 23,964 million in 2004, from Ps. 19,367 million in 2003, as a result of the inclusion of the newly acquired territories for the full year of 2004. As a percentage of total sales, cost of sales increased 70 basis points, mainly driven by lower average prices per unit case.

Consolidated operating expenses were Ps. 14,839 million in 2004, an increase of 27.3% compared with 2003, due to the inclusion of the newly acquired territories for the full year of 2004. As a percentage of total sales, operating expenses grew 130 basis points due to lower fixed-cost absorption driven by lower average price per unit case. However, operating expenses per unit case remained almost flat due to cost-cutting initiatives across all of our territories and better commercial and distribution practices.

Consolidated income from operations grew to Ps. 7,696 million in 2004, from Ps. 7,099 million in 2003, mainly due to the inclusion of full-year sales from the newly acquired territories. Income from operations as a percentage of total revenues decreased 200 basis points in 2004, from 18.6% to 16.6%, mainly as a result of the inclusion of our new territories, which have lower operating margins.

The term "integral cost of financing" refers to the combined financial effects of net interest expense or interest income, net foreign-exchange gains or losses, and 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 local currencies. A foreign-exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the local currency between the date the liability is incurred or the beginning of the period, whichever comes first, and the date it is repaid or the end of the period, whichever comes first, as the appreciation of the foreign currency results in an increase in the amount of local currency, 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 local inflation on monetary assets and liabilities.

In 2004 integral cost of financing was Ps. 798 million, a decrease of 69.1% compared with 2003. This decrease was driven by the combined effect of a decline of the foreign-exchange loss due to the appreciation of the Mexican peso against the US dollar, as applied to our US dollar-denominated debt and a consolidated monetary gain, as a result of inflation adjustments applied to the consolidated net monetary liability position, which partially offset higher interest expenses.

Other expenses increased from Ps. 260 million in 2003 to Ps. 408 million in 2004, driven mainly by additional restructuring expenses from the integration of Panamco territories.

Income taxes and employee profit sharing decreased from Ps. 1,776 million in 2003 to Ps. 1,063 million in 2004. However, the company's consolidated effective income tax and employee profit sharing rate declined from 41.7% in 2003, to 16.4% in 2004, mainly due to one-time benefits in the amount of Ps. 1,311 million and Ps. 172 million from a gain on a tax lawsuit and a reduction in deferred tax liabilities in Mexico, driven by a decline in the Mexican income-tax rate going forward, respectively.

Our consolidated majority net income was Ps. 5,404 million in 2004, resulting in earnings per share ("EPS") of Ps. 2.93 (US $2.63 per ADR), computed on the basis of 1,846 million shares outstanding (each ADR represents 10 shares).

Balance Sheet

As of December 31, 2004, we had a cash balance of Ps. 3,603 million (US $323 million), total short-term debt of Ps. 3,272 million (US $294 million), and long-term debt of Ps. 21,716 million (US $1,949 million).

During the year, we reduced our company's net debt by approximately US $360 million. We capitalized on the relatively low interest-rate environment and opportunities in the Mexican and international financial markets to eliminate our refinancing risk, reduce our foreign-currency exposure, and improve our debt maturity profile. We refinanced US $640 million of debt maturing between 2005 and 2008, with new six and seven-year loans with tighter pricing conditions.

Debt Structure

The following chart sets forth the breakdown of the company's debt by currency and interest rate type as of December 31, 2004:

		Interest Rate Type		
Currency	% Total Debt	% Floating	% Fixed	Average Rate[1]
US Dollars	29.9%	–	100%	7.66%
Mexican Pesos	66.6%	20%	80%	9.45%
Colombian Pesos	2.7%	100%	–	10.09%
Venezuelan Bolivares	0.3%	100%	–	11.00%
Argentine Pesos	0.5%	100%	–	5.36%

(1) Annualized average interest rate per currency as of December 31, 2004.

Operating Results by Territory

MEXICAN OPERATING RESULTS

Revenues

Revenues in the Mexican territories reached Ps. 26,658 million in 2004, resulting in an average price per unit case of Ps. 26.83 (US $2.41). CSD average price per unit case reached Ps. 30.10 (US $2.70) during the same period. Average price was impacted by volume growth mainly coming from the territories outside the Valley of Mexico, which carry a lower price per unit case, and a slight shift to multi-serve presentations, which have a lower average price per unit case. However, pricing stabilized in the second half of 2004.

Total sales volume reached 990 MUC in 2004, a decrease of 1.2% compared with 2003 sales volume, due to jug-water sales volume decline of 10.5%, which more than offset the 1.3% CSD volume growth during the same period. The volume-growth decline of our jug-water business resulted from pricing and channel-segmentation initiatives taken to increase the water business' profitability. CSD volume growth was mainly driven by strong growth from our flavored brands, including *Mundet Multi-Flavors, Fanta Naranja*, and *Lift Golden Apple*, which accounted for the majority of the incremental CSD volumes, and volume growth from brand *Coca-Cola*.

Income from Operations
Gross profit totaled Ps. 14,041 million, representing a gross margin of 52.7% in 2004. During 2004, we experienced higher raw-material prices, mainly in sugar and PET. Raw-material cost pressures were partially offset by gross synergies realized from the integration of the new territories, combined with cost-saving initiatives such as light-weighting of PET bottles and greater use of standard sugar as a percentage of the sweetener mix, which is less expensive than refined sugar.

Our operating income totaled Ps. 5,520 million, resulting in a 20.7% margin, as a result of lower fixed-cost absorption driven by lower average price per unit case.

CENTRAL AMERICAN OPERATING RESULTS (Guatemala, Nicaragua, Costa Rica, and Panama)

Revenues
Total revenues reached Ps. 3,459 million in 2004, resulting in an average price per unit case of Ps. 31.23 (US $2.80). During the year, we implemented tactical price increases in all of the countries comprising our Central America operation, which partially offset lower average prices per unit case driven by incremental volumes of multi-serve packages.

Total volumes reached 111 MUC in 2004, increasing 3.1% over 2003 volumes. The volume growth was mainly driven by the solid performance of the cola category, especially in Nicaragua and Costa Rica, which accounted for over 70% of the incremental volumes during the year; and flavored CSD category growth, which represented the majority of the balance.

The majority of the incremental sales came from multi-serve returnable and non-returnable presentations, helping us to increase per-capita consumption of CSD's in the region.

Income from Operations
Gross profit totaled Ps. 1,670 million in 2004, representing a gross margin of 48.3%. During the year, we experienced raw-material cost pressures across the region, which adversely affected gross margins. Operating income totaled Ps. 419 million, reaching an operating income margin of 12.1%, driven by savings achieved through better manufacturing and distribution practices, a higher fixed component in our pre-sale compensation scheme, and a turnaround in profitability in our Guatemalan operation.

COLOMBIAN OPERATING RESULTS

Revenues
Total revenues reached Ps. 4,066 million in 2004. Average price per unit case reached Ps. 24.33 (US $2.18) for the year. Average price per unit case remained relatively stable during the year as a result of tactical price increases, from a declining pricing base at the beginning of the year driven by incremental volumes from multi-serve packages, and the appreciation of the Colombian peso against the US dollar toward the end of the year.

Sales volume was 167 MUC in 2004, a decrease of 2.8% compared with 2003, mainly driven by volume declines in our flavored CSD and jug water volumes, with each accounting for about half of the volume decline. The volume decline was mainly a result of an asset-rationalization strategy intended to reduce the production of still water sold in less profitable packages and a more competitive environment in the flavored CSD category.

The majority of the flavored CSD volume decline was generated by returnable single-serve presentations, which were partially offset by growth in our 600-milliliter non-returnable presentation, and our multi-serve presentations, including our new 1.25 liter returnable glass presentation for brand *Coca-Cola* and *Quatro*, our new Christmas promotional 3.0-liter PET non-returnable presentation for brand *Coca-Cola*, and our existing 1.25, 2.0, and 2.25-liter non-returnable presentations for flavored CSDs and brand *Coca-Cola*.

Income from Operations
Gross profit totaled Ps. 1,890 million, reaching a gross margin of 46.5% for the year. The increase in gross margins was driven by (i) sugar price declines, (ii) savings achieved from the rationalization of manufacturing facilities, and (iii) the appreciation of the Colombian peso against the US dollar applied to our dollar-denominated costs. Operating income totaled Ps. 433 million, reaching an operating margin of 10.7%. Improved distribution and commercial practices, as well as headcount optimization, partially offset freight-cost increases derived from our manufacturing rationalization effort.

VENEZUELAN OPERATING RESULTS

Revenues
Total revenues reached Ps. 4,776 million in 2004. During 2004, we implemented tactical price increases in the first and third quarters of 2004, resulting in an average price per unit case of Ps. 27.63 (US $2.48).

Total volumes reached 173 MUC in 2004, increasing 13.9% compared with 2003, including a 14.2% CSD volume increase during the year. The increase in volume was driven by strong growth across all the beverage categories, compared to a depressed sales volume base in the first month of 2003 from a national strike that made regular operations practically impossible for Panamco.

CSDs accounted for almost 90% of the incremental volumes, mainly driven by brand *Coca-Cola*, the *Grapette* value-protection brand, and *Hit*, a multi-flavored CSD brand. Our multi-serve presentations accounted for over 60% of the incremental volumes, including the new 2.25 and 3.1-liter non-returnable presentations for the *Grapette* value-protection brand; our single-serve presentations accounted for the balance.

Income from Operations
Gross profit totaled Ps. 2,002 million in 2004, representing a gross margin of 41.9%. During the year, we experienced raw-material costs pressures, mainly PET and sugar, and a shift to non-returnable presentations, which have a higher cost per unit case. Operating income totaled Ps. 375 million in 2004, resulting in an operating margin of 7.8%. Operating expenses were impacted by (i) salary increases implemented during the year, (ii) additional senior and operating headcount to strengthen our operations in Venezuela, and (iii) freight-cost increases significantly above inflation.

BRAZILIAN OPERATING RESULTS

Revenues
Total revenues reached Ps. 5,137 million in 2004. Average price per unit case was Ps.18.91 (US $1.70) during the year, as a result of (i) revenue-management initiatives, (ii) tactical price increases, and (iii) the appreciation of the Real.

Total volumes were 271 MUC in 2004, an increase of 2.1% compared with 2003, including a 4.2% CSD volume increase during the year. The sales volume increase was mainly a result of a strong focus on brand *Coca-Cola* and solid growth in single-serve bottled water, which more than offset the volume decline in flavored CSDs.

The majority of the volume growth came from multi-serve presentations, including the 1.5, 2.25, 2.5, and 3.0-liter PET non-returnable presentations, pursuant to our strategy to diversify from 2.0-liter non-returnable presentation and cans, which together accounted for 66% of our sales volume mix in 2004, versus 73% in 2003.

Income from Operations
Gross profit totaled Ps. 1,973 million in 2004, reaching a gross margin of 38.4%, reflecting savings achieved from the closure of a manufacturing facility and lower sweetener costs. Operating income was Ps. 458 million reaching an operating income margin of 8.9% for 2004. Operating expenses per unit case declined mainly due to operating leverage driven by an increase in sales volume and the implementation of better practices, including taking over previously outsourced services and implementing cost-cutting strategies throughout the value chain.

ARGENTINE OPERATING RESULTS

Financial information and sales volume figures in our Argentine operations are fully comparable with last year.

Revenues
Total revenues reached Ps. 2,451 million, a 16.7% increase compared with 2003. Average price per unit case grew 2.8% over the course of the year to Ps. 16.20 (US $1.45), mainly as a result of price increases implemented during the year.

Total volumes reached 144 MUC in 2004, an increase of 14.0% compared with 2003. In 2004 core brands generated approximately 45% of our incremental volume growth; *Tai*, the value-protection brand, accounted for 40%; and premium brands accounted for most of the balance.

The majority of the volume growth came from our returnable presentations, including the 1.25-liter returnable glass presentation for the core brands and the 2.0-liter returnable PET presentation for brand *Coca-Cola*, which represented almost 50% of the sales volume increase.

Income from Operations
Gross profit totaled Ps. 959 million in 2004, reaching a gross margin of 39.1%, an improvement of 300 basis points compared with 2003. This improvement was mainly driven by (i) higher sales volume, (ii) higher average prices per unit case, and (iii) a favorable mix shift toward returnable presentations, which have lower cost per unit case.

In Argentina, operating expenses as a percentage of total revenues decreased 210 basis points, from 25.6% in 2003 to 23.5% in 2004, mainly as a result of higher fixed-cost absorption due to higher revenues and a 15.5% reduction in administrative expenses. In 2004 our Argentine territories' operating income reached Ps. 383 million, an increase of 73.3%, and operating margin rose from 10.5% in 2003 to 15.6% in 2004.

2004 COMPARABLE VOLUME PERFORMANCE

We are providing sales volumes for the twelve months of 2003 in all of our territories. Volume growth figures are comparable with previous periods.

Total Sales Volume

Territory	2003 (MUC)	2004 (MUC)	% Change
Mexico	1,001.6	989.8	(1.2%)
Central America	107.3	110.6	3.1%
Colombia	171.8	167.1	(2.7%)
Venezuela	151.6	172.7	13.9%
Brazil	265.1	270.8	2.2%
Argentina	126.6	144.3	14.0%
Total	1,824.0	1,855.3	1.7%

Carbonated Soft-Drink Volumes

Territory	2003 (MUC)	2004 (MUC)	% Change
Mexico	786.3	796.3	1.3%
Central America	100.9	104.3	3.4%
Colombia	145.5	144.5	(0.7%)
Venezuela	130.7	149.2	14.2%
Brazil	204.4	212.8	4.1%
Argentina	125.1	142.3	13.7%
Total	1,492.9	1,549.4	3.8%

Coca-Cola FEMSA prides itself on its standards of corporate governance and the quality of its disclosures. We are among the leaders in our compliance with the Best Corporate Practices Code, established by the Mexican Entrepreneurial Counsel. In our new operations, we will continue to apply the same strict standards. We believe that the independence of our directors provides an invaluable contribution to our corporation's decision-making process and to shareholder value protection.

On our website, www.coca-colafemsa.com, we maintain a list of the significant ways in which our corporate governance practices differ from those followed by US companies under New York Stock Exchange listing standards.

ENVIRONMENTAL STATEMENT

Coca-Cola FEMSA is dedicated to the principles of sustainable development. While the Company's environmental impact is small, Coca-Cola FEMSA is committed to managing that impact in a positive manner. Compliance, waste minimization, pollution prevention and continuous improvement are hallmarks of the Company's environmental management system. The Company has achieved significant progress in areas such as recovery and recycling, water and energy conservation and wastewater quality. These efforts simultaneously help Coca-Cola FEMSA to protect the environment and to advance its business. For further information, see Social Responsibility section on page 26.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL

The management of Coca-Cola FEMSA is responsible for the preparation and integrity of the accompanying consolidated financial statements and for maintaining a system of internal control. These checks and balances serve to provide reasonable assurance to shareholders, to the financial community, and to other interested parties that transactions are executed in accordance with management authorization, that accounting records are reliable as a basis for the preparation of the consolidated financial statements, and that assets are safeguarded against loss from unauthorized use or disposition.

In fulfilling its responsibilities for the integrity of financial information, management maintains and relies on the Company's system of internal control. This system is based on an organizational structure that efficiently delegates responsibilities and ensures the selection and training of qualified personnel. In addition, it includes policies, which are communicated to all personnel through appropriate channels. This system of internal control is supported by an ongoing internal audit function that reports its findings to management throughout the year. Management believes that to date, the internal control system of the Company has provided reasonable assurance that material errors or irregularities have been prevented or detected and corrected within a timely period.

To the Stockholders' General Meeting of Coca-Cola FEMSA, S.A. de C.V.:

In our role as Shareholder Examiners and in compliance with Article 166 of the Mexican General Corporate Law and the bylaws of Coca-Cola FEMSA, S.A. de C.V. (the "Company"), we submit our report regarding the truthfulness, sufficiency and fairness of the individual and consolidated financial information submitted to you by the Board of Directors, relative to the Company's operations for the year ended December 31, 2004.

We have attended the Shareholder, Board of Directors and Audit Committee meetings to which we have been invited and have obtained from the Directors and Management all of the information relative to the operations, documents and records that we deemed necessary to examine. We have also reviewed the individual and consolidated balance sheets of the Company as of December 31, 2004, and the related statements of income, changes in financial position and changes in stockholders' equity for the year then ended, which are hereby presented for your information and approval. We have also reviewed, using the scope we considered necessary in the circumstances, the reports issued by the external auditors of the Company on such financial statements. Our review was performed in accordance with auditing standards generally accepted in Mexico.

In our opinion, the accounting and reporting policies and criteria followed by the Company and considered by management to prepare the individual and consolidated financial information presented at this meeting are adequate and sufficient and were applied on a basis consistent with that of the preceding year. Therefore, the individual and consolidated financial information presented by management truthfully, sufficiently and fairly presents the financial position of Coca-Cola FEMSA, S.A. de C.V. as of December 31, 2004, and the results of its operations, changes in its financial position and changes in its stockholders' equity for the year then ended, in conformity with accounting principles generally accepted in Mexico.

Mexico, D.F., February 11, 2005

C.P.C. Fausto Sandoval Amaya
Examiner

C.P.C. Ernesto González Dávila
Examiner

Deloitte.

Independent Auditors' Report to the Board of Directors and Stockholders of Coca-Cola FEMSA, S.A. de C.V.:

We have audited the accompanying consolidated balance sheets of Coca-Cola FEMSA, S.A. de C.V. (a Mexican corporation) and subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in financial position and changes in stockholders' equity for each of the three years in the period ended December 31, 2004, 2003 and 2002 all expressed in millions of Mexican pesos of purchasing power as of December 31, 2004. 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 with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance 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.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Coca-Cola FEMSA, S.A. de C.V. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations, changes in their financial position and changes in their stockholders' equity for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in Mexico.

As mentioned in Note 2, the Company acquired Panamerican Beverages, Inc. on May 6, 2003, incorporating its results of operations since the date of acquisition, as a result of which the consolidated income statements and the consolidated statements of changes in financial position for the year ended December 31, 2004 are not comparable with those of the prior years.

Accounting principles generally accepted in Mexico vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of income for each of the three years in the period ended December 31, 2004, and the determination of stockholders' equity at December 31, 2004 and 2003, to the extent summarized in Note 26.

Our audits also comprehended the translation of the Mexican peso amounts into US dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. The translation of the financial statement amounts into US dollars and the translation of the financial statements into English have been made solely for the convenience of readers in the United States of America.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu

C.P.C. Jorge Alamillo Sotomayor
Mexico City, Mexico
February 11, 2005

CONSOLIDATED BALANCE SHEETS

At December 31, 2004 and 2003

Amounts expressed in millions of US Dollars ($) and in millions of constant Mexican Pesos (Ps.) as of December 31, 2004

		2004				2003
ASSETS						
Current Assets:						
Cash and cash equivalents	$	323	Ps.	3,603	Ps.	3,021
Accounts receivable:						
Trade		142		1,580		1,453
Notes		3		34		96
Other		44		490		417
		189		2,104		1,966
Recoverable taxes		65		723		1,163
Inventories		226		2,515		2,354
Prepaid expenses		9		105		215
Total Current Assets		812		9,050		8,719
Property, Plant and Equipment, Net		1,675		18,672		19,133
Investments in Shares		38		418		518
Deferred Tax Assets, Net		121		1,353		1,355
Other Assets, Net		131		1,459		1,472
Intangible Assets, Net		3,240		36,114		35,471
TOTAL ASSETS	$	6,017	Ps.	67,066	Ps.	66,668

		2004	2003
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Bank loans	$ 19	Ps. 208	Ps. 1,811
Current maturities of long-term debt	275	3,064	1,321
Interest payable	28	314	395
Suppliers	371	4,144	3,670
Accrued expenses	123	1,369	1,489
Accrued taxes	119	1,322	1,132
Other liabilities	24	266	384
Total Current Liabilities	959	10,687	10,202
Long-term Liabilities:			
Bank loans and notes payable	1,949	21,716	27,456
Pension plan	53	588	589
Seniority premiums	5	57	54
Deferred tax liability, net	123	1,380	1,620
Other liabilities	226	2,529	2,453
Total Long-term Liabilities	2,356	26,270	32,172
TOTAL LIABILITIES	3,315	36,957	42,374
Stockholders' Equity:			
Minority interest in consolidated subsidiaries	64	709	174
Majority interest:			
Capital stock	251	2,793	2,793
Additional paid-in capital	1,073	11,954	11,951
Retained earnings from prior years	1,078	12,019	10,095
Net income for the year	485	5,404	2,463
Cumulative translation adjustment	(134)	(1,488)	(1,589)
Cumulative result of holding nonmonetary assets	(117)	(1,305)	(1,593)
Additional labor liability	2	23	–
Total Majority Interest	2,638	29,400	24,120
TOTAL STOCKHOLDERS' EQUITY	2,702	30,109	24,294
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,017	Ps. 67,066	Ps. 66,668

The accompanying notes are an integral part of these consolidated balance sheets.

Mexico, D.F., February 11, 2005

Carlos Salazar Lomelín
Chief Executive Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer

CONSOLIDATED INCOME STATEMENTS

For the years ended December 31, 2004, 2003 and 2002

Amounts expressed in millions of US Dollars ($) and in millions of constant Mexican Pesos (Ps.) as of December 31, 2004, except income per share

				2004		2003		2002
Net sales	$	4,153	Ps.	46,290	Ps.	37,876	Ps.	19,432
Other operating revenues		19		209		245		154
Total revenues		4,172		46,499		38,121		19,586
Cost of sales		2,150		23,964		19,367		9,098
Gross profit		2,022		22,535		18,754		10,488
Operating expenses:								
Administrative		243		2,705		2,091		1,548
Selling		1,088		12,134		9,564		4,033
		1,331		14,839		11,655		5,581
Intangible amortization		–		–		–		41
Income from operations		691		7,696		7,099		4,866
Integral cost of financing:								
Interest expense		228		2,531		1,625		366
Interest income		(24)		(266)		(251)		(277)
Foreign exchange (gain) loss, net		3		38		2,136		(257)
Gain on monetary position		(135)		(1,505)		(928)		(416)
		72		798		2,582		(584)
Other expense, net		37		408		260		638
Income for the year before income taxes and employee profit sharing		582		6,490		4,257		4,812
Income taxes and employee profit sharing		95		1,063		1,776		2,012
NET INCOME FOR THE YEAR	$	487	Ps.	5,427	Ps.	2,481	Ps.	2,800
MAJORITY NET INCOME		485		5,404		2,463		2,800
MINORITY NET INCOME	$	2	Ps.	23	Ps.	18	Ps.	–
Weighted average shares outstanding (in millions)		1,846		1,846		1,704		1,425
Majority net income per share (basic and diluted)	$	0.26	Ps.	2.93	Ps.	1.45	Ps.	1.96

The accompanying notes are an integral part of these consolidated income statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 2004, 2003 and 2002

Amounts expressed in millions of US Dollars ($) and in millions of constant Mexican Pesos (Ps.) as of December 31, 2004

		2004				2003		2002
RESOURCES GENERATED BY (USED IN):								
Operating Activities:								
Net income for the year	$	487	Ps.	5,427	Ps.	2,481	Ps.	2,800
Depreciation		111		1,239		1,040		598
Breakage of bottles and cases		38		419		297		211
Intangible amortization and impairment		–		–		–		518
Amortization and other		36		402		813		325
		672		7,487		4,631		4,452
Working capital:								
Accounts receivable		(13)		(138)		230		206
Inventories		(28)		(316)		(403)		(238)
Prepaid expenses and recoverable taxes		49		550		(621)		(621)
Interest payable		(7)		(81)		175		5
Suppliers		43		474		(12)		65
Accounts payable and other		(16)		(238)		(1,023)		226
Accrued taxes		17		190		(104)		120
Pension plan and seniority premiums		(6)		(62)		(28)		(10)
NET RESOURCES GENERATED BY OPERATING ACTIVITIES		711		7,866		2,845		4,205
Investing Activities:								
Panamerican Beverages, Inc. acquisition		–		–		(31,187)		–
Property, plant and equipment		(121)		(1,347)		(1,642)		(965)
Investments in shares and other assets		(38)		(428)		(365)		(516)
NET RESOURCES USED IN INVESTING ACTIVITIES		(159)		(1,775)		(33,194)		(1,481)
Financing Activities:								
Amortization in real terms of financing		(144)		(1,608)		954		258
Translation adjustment in foreign subsidiaries		9		101		(560)		(496)
(Payments) proceeds form issuance of long-term debt		(358)		(3,992)		16,515		(23)
Dividends paid		(48)		(539)		–		(640)
Other liabilities		1		76		(670)		19
Increase in minority interest		40		450		–		–
Increase in capital stock		–		3		10,330		–
NET RESOURCES OBTAINED FROM (USED IN) FINANCING ACTIVITIES		(500)		(5,509)		26,569		(882)
Increase (decrease) in cash and cash equivalents		52		582		(3,780)		1,842
Cash and cash equivalents at beginning of the year		271		3,021		6,801		4,959
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$	323	Ps.	3,603	Ps.	3,021	Ps.	6,801

The accompanying notes are an integral part of these consolidated statements of changes in financial position.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2004, 2003 and 2002

Amounts expressed in thousands of constant Mexican Pesos (Ps.) as of December 31, 2004

Description		Capital Stock		Additional Paid-in Capital		Retained Earnings from Prior Years
Consolidated Balances at December 31, 2001	Ps.	2,591	Ps.	1,823	Ps.	5,493
Transfer of income of prior year						2,442
Dividends declared and paid						(640)
Comprehensive income						
Consolidated Balances at December 31, 2002	Ps.	2,591	Ps.	1,823	Ps.	7,295
Minority interest from Panamco acquisition						
Increase in capital stock		202		10,128		
Transfer of income of prior year						2,800
Comprehensive income						
Consolidated Balances at December 31, 2003	Ps.	2,793	Ps.	11,951	Ps.	10,095
Increase in minority interest						
Increase in capital stock				3		
Transfer of income of prior year						2,463
Dividends declared and paid						(539)
Comprehensive income						
Consolidated Balances at December 31, 2004	Ps.	2,793	Ps.	11,954	Ps.	12,019

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

Net Income for the Year	Cumulative Translation Adjustment	Cumulative Result of Holding Nonmonetary Assets	Additional Labor Liability	Total Majority Interest	Minority Interest in Consolidated Subsidiaries	Total Stockholders' Equity
Ps. 2,442	Ps. (533)	Ps. (2,864)	Ps. –	Ps. 8,952	Ps. –	Ps. 8,952
(2,442)						
				(640)		(640)
2,800	(496)	(35)		2,269		2,269
Ps. 2,800	Ps. (1,029)	Ps. (2,899)	Ps. –	Ps. 10,581	Ps. –	Ps. 10,581
					156	156
				10,330		10,330
(2,800)						
2,463	(560)	1,306		3,209	18	3,227
Ps. 2,463	Ps. (1,589)	Ps. (1,593)	Ps. –	Ps. 24,120	Ps. 174	Ps. 24,294
					450	450
				3		3
(2,463)						
				(539)		(539)
5,404	101	288	23	5,816	85	5,901
Ps. 5,404	Ps. (1,488)	Ps. (1,305)	Ps. 23	Ps. 29,400	Ps. 709	Ps. 30,109

NOTE 1 •Activities of the Company

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

Coca-Cola FEMSA is an association between Fomento Económico Mexicano, S.A. de C.V. ("FEMSA"), which indirectly owns 45.7% of the capital stock (53.6% of the voting shares), and The Coca-Cola Company, which indirectly owns 39.6% of the capital stock. The remaining 14.7% 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 Mexico, Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela, Brazil and Argentina.

NOTE 2 • Acquisition of Panamerican Beverages, Inc.

On May 6, 2003, Coca-Cola FEMSA acquired 100% of the outstanding stock of Panamerican Beverages, Inc. ("Panamco") for Ps. 31,050, excluding transaction expenses. As part of the acquisition, the Company assumed Ps. 9,557 of net debt and incurred transaction costs of Ps. 410, which consisted of financial, advisory and legal fees that were capitalized as adjustments to the purchase price.

The transaction was financed with an equity contribution from FEMSA of Ps. 2,923 an exchange of The Coca-Cola Company's equity interests in Panamco valued at Ps. 7,407 for new shares of Coca-Cola FEMSA, cash on hand of Ps. 2,967 and new indebtedness in Mexican pesos and US dollars in the amount of Ps. 18,163.

The exchange of equity interests of The Coca-Cola Company as well as the capital increase from FEMSA generated additional paid-in capital in majority stockholders' equity, since the shares were subscribed at a value greater than the par value of the shares at the subscription date.

At the acquisition date, Panamco produced and distributed *Coca-Cola* trademark beverages in its bottling territories in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela and Brazil, along with bottled water and other beverages in some of these territories and beer in Brazil.

The results of Panamco's operations have been included in the consolidated financial statements since the date of acquisition, as a result of which the consolidated income statements and the consolidated statements of changes in financial position for the year ended December 31, 2004 are not comparable with those for the prior years. The 2003 statement of changes in financial position has been reclassified to present the effects of the acquisition and incorporation of Panamco as a single line item.

NOTE 3 • 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 of America ("US GAAP"), as further explained in Note 25. A reconciliation from Mexican GAAP to US GAAP is included in Note 26.

The consolidated financial statements are stated in millions of Mexican pesos ("Ps."). The translations of Mexican pesos into US dollars ("$") are included solely for the convenience of the reader, using the exchange rate as of December 31, 2004 of 11.146 Mexican pesos to one US dollar.

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

Certain amounts in the financial statements as of and for the years ended December 31, 2003 and 2002 have been reclassified in order to conform to the presentation of the financial statements as of and for the year ended December 31, 2004.

NOTE 4 • Foreign Subsidiary Incorporation

The accounting records of the foreign subsidiaries are maintained in the currency of the country where they are located and in accordance with accounting principles generally accepted in each country. For incorporation into the Company's consolidated financial statements, they are adjusted to Mexican GAAP and are restated to the purchasing power of the local currency at the end of the year by applying the inflation factors of the country of origin and are subsequently translated into Mexican pesos using the year-end exchange rate.

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

When the Company designates foreign subsidiary net investment as an economic hedge of its own acquisition financing, the accounting treatment for the integral cost of financing is as follows:

- The foreign exchange gain or loss is recorded as part of the cumulative translation adjustment, to the extent the net investment in the foreign subsidiary covers the debt, net of taxes. The foreign exchange gain or loss associated with any unhedged portion of such debt is recorded in the integral cost of financing.

- The monetary position result is computed using the inflation factors of the country in which the acquired subsidiary is located to the extent the net investment in the foreign subsidiary covers the debt. The unhedged portion of such debt is calculated using inflation factors of the country of the company that contracts the financing. The total effect is recorded in the integral cost of financing.

When the Company has not designated an economic hedge, the foreign exchange gain or loss and gain or loss on monetary position are recorded in the integral cost of financing. The Company has not designated any investment in foreign subsidiary as an economic hedge of the liabilities incurred to acquire Panamco's territories.

The monetary position result and exchange gain or loss net of taxes on intercompany foreign currency denominated balances that are considered to be of a long-term-investment nature (that is, settlement is not planned or anticipated in the foreseeable future) are reflected in cumulative translation adjustment in stockholders' equity.

In December 2001, the Argentine government adopted a series of economic measures, the most important of which consisted of restrictions on cash withdrawals and foreign exchange transactions. Due to the continuing difficult economic situation in Argentina, the uncertainty with respect to the period of recovery, and the instability of the exchange rate, on July 1, 2002, the Company performed a valuation of its investment in Coca-Cola FEMSA de Buenos Aires, S.A. ("Coca-Cola FEMSA de Buenos Aires"), based on market price value multiples of comparable businesses. The valuation resulted in the recognition of an impairment of intangible of Ps. 477, which was recorded in results of 2002. As a result, the net investment in Coca-Cola FEMSA de Buenos Aires is no longer considered to be an economic hedge of the liabilities denominated in US dollars incurred to acquire Coca-Cola FEMSA de Buenos Aires.

In January 2003, the Venezuelan government suspended the exchange of bolivars for US dollars, and in February 2003, implemented an exchange control regime, under which it created a foreign exchange control agency (CADIVI) that approves all foreign currency transactions and instructs the Central Bank of Venezuela (CBV) to release foreign currency to approved companies. Under the exchange control regime, approved US dollars are released by the CBV at the official exchange rate of 1,920 bolivars per US dollar since February 2004 (1,600 bolivars per US dollar for earlier transactions). For most of 2003, releases were minimal in relation to the amount requested. In 2004 most foreign denominated liabilities were paid with US dollars acquired at the official exchange rate.

NOTE 5 • 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:
The recognition of the effects of inflation in the financial information consists of:

- Restating nonmonetary assets such as inventories, intangible and fixed assets, including related costs and expenses when such assets are consumed or depreciated.
- Restating capital stock, additional paid-in capital and retained earnings by the amount necessary to maintain the purchasing power equivalent in Mexican pesos on the dates such capital was contributed or income generated through the use of inflation factors.
- Including in stockholders' equity the cumulative effect of holding nonmonetary assets, which is the net difference between changes in the replacement cost of nonmonetary assets and adjustments based upon inflation factors.
- Including in the integral cost of financing the purchasing power gain or loss from holding monetary items.

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

Financial information for the Mexican subsidiaries for prior years was restated using Mexican 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 current year-end exchange rate of the Mexican peso. Accordingly, the amounts are comparable with each other and with the preceding years since all are expressed in the purchasing power of the same currency 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 brokerage houses valued at the quoted market prices with original maturities of three months or less (see Note 17).

c) Inventories and Cost of Sales:
The value of inventories is adjusted to replacement cost, without exceeding market value. Advances to suppliers to purchase raw materials and spare parts are included in the inventory account and are restated by applying inflation factors, considering their average age.

Cost of sales is determined based on replacement cost at the time of sale. Cost of sales includes expenses related to raw materials used in production process, labor (wages and other benefits), depreciation of production facilities and equipment and other costs including fuel, electricity, breakage of returnable bottles in the production process, equipment maintenance, inspection, and inter and intra-plant transfer costs.

d) Prepaid Expenses:
These represent payments for services that will be received over the next 12 months. Prepaid expenses are recorded at historical cost and recognized in the income statement in the month in which the services or benefits are received. Prepaid expenses are principally represented by advertising, promotional and leasing expenses.

Advertising costs consist of television and radio advertising airtime paid in advance, which are generally amortized over a 12-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 the advertising takes place.

Promotional costs are expensed as incurred, except for those promotional costs related to the launching of new products 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 or presentations to normal operating levels, which is generally one year.

e) Property, Plant and Equipment:
These assets are initially recorded at their cost of acquisition and/or construction cost. Property, plant and equipment of domestic origin, except returnable bottles and cases (see Note 5 f), are restated by applying 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 is computed using the straight-line method, based on the value of the restated assets reduced by their residual values. The Company together with independent appraisers determines depreciation rates, considering the estimated remaining useful lives of the assets.

The estimated useful lives of the main assets are as follows:

	Years
Buildings and construction	47
Machinery and equipment	16
Distribution equipment	11
Other equipment	7

f) Returnable Bottles and Cases:
Returnable Bottles and cases are recorded at acquisition cost and restated to their replacement cost. The Company classifies returnable bottles and cases as property, plant and equipment.

There are two types of returnable bottles and cases:

- Those that are in the Company's control in its facilities, which we refer to as returnable bottles and cases in plant and distribution centers; and

- Those that have been placed in the hands of customers, which we refer to as returnable bottles and cases in the market.

For financial reporting purposes, breakage of returnable bottles and cases in plant and distribution centers is recorded as an expense as it is incurred. For the years ended December 31, 2004, 2003 and 2002, breakage expense amounted to Ps. 419, Ps. 297 and Ps. 211, respectively.

The returnable bottles and cases in the market and for which a deposit from customers has been received are presented net of such deposits, and the difference between the cost of these assets and the deposits received is amortized according to their useful lives. The returnable bottles and cases for which no deposit has been received, which represent most of the returnable bottles and cases placed in the market, are expensed when placed in the hands of customers.

Depreciation is computed only for tax purposes in most of the countries in which the Company operates using the straight-line method at a rate applicable in each country. The Company estimates that breakage expense of returnable bottles and cases in plant and distribution centers is similar to the depreciation calculated on an estimated useful life of approximately four years for returnable glass bottles, one year for returnable plastic bottles and four years for plastic cases.

g) Investments in Shares:
Investments in shares of associated companies are initially recorded at their acquisition cost and subsequently valued using the equity method. Investments in affiliated companies in which the Company does not have significant influence and which do

not have an observable market value are recorded at acquisition cost and restated based upon inflation factors of the country of origin. Investments in affiliated companies in which the Company does not have significant influence and which do have an observable market value are adjusted to market value, with such adjustments reflected in earnings.

h) Other Assets:
This assets represent payments whose benefits will be received in future years, and consist of:

- Refrigeration equipment, which is initially recorded at the cost of acquisition. Equipment of domestic origin is restated by applying domestic inflation factors. Imported equipment is restated by applying the inflation rate of the county of origin and then translated at the year-end exchange rate. Refrigeration equipment is amortized based on an estimated average useful life of approximately five years in 2004 and 2003 and three years in 2002. The effect of the change in useful life amounted to Ps. 97 of additional income in 2003. Major refrigeration equipment repairs were initiated in Mexico in 2004. These repairs were capitalized and are being amortized over a two-year period net of the undepreciated value of the parts replaced.

- 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 under the straight-line method in accordance with the terms of such agreement, based on the volume sold by the customers. The term of these agreements is between three and four years.

- The Company applies as a suppletory standard the provisions of Emerging Issues Task Force ("EITF") No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" of the Financial Accounting Standard Board ("FASB"), which requires presenting the amortization of these capitalized amounts as a reduction of net sales.

- Information technology and management systems, which are incurred during the development stage and are capitalized in accordance with Bulletin C-8, "Activos Intangibles" (Intangible Assets) ("C-8"). Such amounts are restated applying the inflation factors and are amortized using the straight-line method over four years. Expenses that do not fulfill the requirements for capitalization, such as research expenses are expensed as incurred.

- Leasehold improvements, which are restated by applying inflation factors and amortized using the straight-line method, over the terms of lease contracts.

i) Intangible Assets:
These assets represent payments whose benefits will be received in future years. Beginning in 2003 the Company applies C-8, which establishes that project development costs should be capitalized if they fulfill the criteria established for recognition as assets. Additionally, C-8 requires identifying all intangible assets to reduce as much as possible the goodwill associated with business combinations. Prior to 2003, the excess of the purchase price over the fair value of the net assets acquired in a business combination was considered to be goodwill. With the adoption of C-8, the Company considers such excess related to the rights to produce and distribute *Coca-Cola* trademark products. The Company separates intangible assets between those with a finite useful life and those with an indefinite useful life, in accordance with the period over which the Company expects to receive the benefits.

Intangible assets with indefinite lives are not amortized, but are periodically subject to an impairment test. These represent the right to manufacture, package, distribute, and sell *Coca-Cola* trademark beverages in the territories acquired. Those agreements are the standard contracts that The Coca-Cola Company enters into with bottlers outside the United States for the sale of concentrates for certain *Coca-Cola* trademark beverages. The most significant bottler agreements have terms of 10 years. The bottler agreements are automatically renewable for similar periods, subject to non-renewal by either party. The agreements are recorded in the functional currency of the subsidiary in which the investment was made and are restated by applying the inflation rate of the country of origin and the year-end exchange rate.

j) Impairment of Long-Lived Assets:
In accordance with new Bulletin C-15, "Deterioro en el Valor de los Activos de Larga Duración y su Disposición" (Impairment of the Value of Long-Lived Assets and Their Disposal) ("C-15"), the Company reviews the carrying value of its long-lived assets for impairment and determines whether impairment exists, comparing estimated discounted future cash flows to be generated by those assets with their carrying value.

For long-lived assets, such as property, plant and equipment, other assets and identifiable intangible assets, the Company tests for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable through their expected discounted future cash flows.

If such assets are considered to be impaired, the impairment charge is recognized in other expenses.

k) Payments from The Coca-Cola Company:
The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment investment program. The contributions received for advertising and promotional incentives are included as a reduction of selling expenses. The investment in refrigeration equipment, net of the The Coca-Cola Company's participation, is recorded in "Other assets". The contributions are recognized when The Coca-Cola Company accepts the request for reimbursement. The contributions received were Ps. 920, Ps. 1,263 and Ps. 793 during the years ended December 31, 2004, 2003 and 2002, respectively.

l) Labor Liabilities:
Labor liabilities include obligations for pension and retirement plan and seniority premiums based on actuarial calculations by independent actuaries, using the projected unit credit method. These liabilities are considered to be nonmonetary and are restated using long-term assumptions. The increase in labor liabilities of the year is charged to expense in the income statement.

Unamortized prior service costs are recorded as expenses in the income statement over the period during which the employees will receive the benefits of the plan, which in the case of pension and retirement plans and seniority premiums is 14 years since 1996.

Certain subsidiaries of the Company have established funds for the payment of pension benefits through irrevocable trusts with the employees as beneficiaries.

Severance indemnities are charged to expenses on the date that they are incurred. The severance payments resulting from the Company's reduction of personnel, as a result of the restructuring of certain areas, are included in other expenses. During the years ended December 31, 2004, 2003 and 2002, these payments amounted to Ps. 124, Ps. 32 and Ps. 79, respectively.

m) Revenue Recognition:
Revenue is recognized upon delivery to the customer and the customer has taken ownership of the goods. Net sales reflect units delivered at selling list prices reduced by promotion allowances and discounts.

n) Operating Expenses:
Administrative expenses include labor costs (salaries and other benefits) for employees not directly involved in the sale of the Company's products, professional services fees, depreciation of offices facilities and amortization of capitalized software costs.

Selling expenses include:

- Distribution: labor costs (salaries and other benefits), outbound freight costs, warehousing costs of finished products, breakage for returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. During the year ended December 31, 2004, 2003 and 2002, these distribution costs amounted to Ps. 6,348, Ps. 5,196 and Ps. 2,291, respectively.

- Sales: labor costs (salaries and other benefits) and sales commission paid to sales personnel.

- Marketing: labor costs (salaries and other benefits), promotions and advertising costs.

o) Income Tax, Tax on Assets and Employee Profit Sharing:
Income taxes and employee profit sharing are charged to results as they are incurred. Deferred income tax assets and liabilities are recognized for temporary differences resulting from comparing the book and tax values of assets and liabilities plus any future benefits from tax loss carryforwards. Deferred income tax assets are reduced by any benefits about which there is uncertainty as to their realizability. Deferred employee profit sharing is derived from temporary differences between the accounting result and income for employee profit sharing purposes and is recognized only when it can be reasonably assumed that they will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

The tax on assets paid that is expected to be recovered is recorded as a reduction of the deferred tax liability.

The balance of deferred taxes is comprised of monetary and nonmonetary items, based on the temporary differences from which it is derived. Deferred taxes are classified as a long-term asset or liability, regardless of when the temporary differences are expected to reverse.

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

FEMSA has received authorization from the Secretaría de Hacienda y Crédito Público ("SHCP") to prepare its income tax and tax on asset returns on a consolidated basis, which includes the proportional taxable income or loss of its Mexican subsidiaries, which is limited to 60% of the stockholders' participation. In 2005 the tax consolidation will be 100% of the stockholders' participation. The provisions for income taxes, for both Mexico and foreign countries, have been determined on the basis of the taxable income of each individual company and not on a consolidated basis.

p) Integral Cost of Financing:

The integral cost of financing includes:

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

Foreign Exchange Gains and Losses:
Transactions in foreign currencies are recorded in local currency 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 any foreign exchange gain or loss from financing obtained for the acquisition of foreign subsidiaries that is considered to be an economic hedge or intercompany foreing currency transactions that are of a long-term-investment nature (see Note 4).

Gain (Loss) on Monetary Position:
This is the result of the effects of inflation on monetary items. The gain (loss) on monetary position is computed by applying inflation factors of the country of origin to the net monetary position at the beginning of each month, excluding the financing contracted for the acquisition of any foreign subsidiaries that is considered to be an economic hedge or intercompany foreign currency transactions that are of a long-term-investment nature (see Note 4).

q) Financial Instruments:
The Company adopted Bulletin C-12, "Instrumentos Financieros con Caracteristicas de Pasivo, de Capital o de Ambos" (Financial Instruments with Characteristics of both Liabilities and Equity) ("C-12") on January 1, 2004. The adoption of this Bulletin did not have any effects on the Company's financial position or results of operations.

The Company frequently contracts financial instruments to manage the financial risks associated with its operations. If the instrument is used to manage the risk related with the Company's operations, the effect is recorded in cost of sales and in operating expenses. If the instrument is used to manage the risks related with the financing operations, the effect is recorded in interest expense or in the foreign exchange loss (gain), depending on the related contract.

Financial instruments entered into for hedging purposes are valued using the same valuation criteria applied to the hedged asset or liability. Additionally, financial instruments entered into for purposes other than hedging the operations of the Company are valued at fair market value, and are recorded in the balance sheet. The difference between the financial instrument's initial value and fair market value are recorded in the income statement.

r) Cumulative Result of Holding Nonmonetary Assets:
This represents the sum of the differences between book values and restatement values, as determined by applying inflation factors to nonmonetary assets such as inventories, intangible and fixed assets, and their effect on the income statement when the assets are consumed or depreciated, net of the corresponding deferred income taxes effect.

s) Comprehensive Income:
Comprehensive income is comprised of the net income and other comprehensive income items such as the translation adjustment, the result of holding nonmonetary assets and additional labor liability and is presented in the consolidated statement of changes in stockholders' equity. The accumulated balances are as follows:

		2004		2003		2002
Retained earnings from prior years	Ps.	12,019	Ps.	10,095	Ps.	7,295
Majority net income for the year		5,404		2,463		2,800
Cumulative translation adjustment		(1,488)		(1,589)		(1,029)
Cumulative result of holding nonmonetary assets		(1,305)		(1,593)		(2,899)
Additional labor liability		23		–		–
	Ps.	14,653	Ps.	9,376	Ps.	6,167

t) Provisions:
Provisions are recognized for obligations that result from a past event, that will likely result in the use of economic resources and that can be reasonably estimated. Such provisions are recorded at net present values when the effect of the discount is significant.

u) Issuances of Subsidiary Stock:
The Company recognizes issuances of a subsidiary's stock as a capital transaction, in which the difference between the book value of the shares issued and the amount contributed by the minority interest holder or a third party is recorded as additional paid-in capital.

NOTE 6 • Accounts Receivable

		2004		2003
Trade	Ps.	1,707	Ps.	1,575
Allowance for doubtful accounts		(127)		(122)
Notes		34		96
The Coca-Cola Company		231		269
Travel advances to employees		10		11
Insurance claims		8		7
Government bonds		–		26
Receivables from sales of fixed assets		28		41
Loans to employees		14		25
Guarantee deposits		12		8
Other		187		30
	Ps.	2,104	Ps.	1,966

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

		2004		2003		2002
Balance at the beginning of the period	Ps.	122	Ps.	12	Ps.	9
Provision for the period		51		56		20
Acquisition of Panamco		–		77		–
Write-offs		(65)		(22)		(16)
Restatement of the balance at the beginning of the period		19		(1)		(1)
Balance at the end of the period	Ps.	127	Ps.	122	Ps.	12

NOTE 7 • Inventories

		2004		2003
Finished products	Ps.	596	Ps.	615
Raw materials		1,574		1,291
Spare parts		335		348
Advances to suppliers		74		154
Work in process		9		18
Advertising and promotional materials		4		26
Allowance for obsolescence		(77)		(98)
	Ps.	2,515	Ps.	2,354

NOTE 8 • Prepaid Expenses

		2004		2003
Advertising and promotional expenses	Ps.	65	Ps.	172
Bonus		13		17
Insurance		8		9
Other		19		17
	Ps.	105	Ps.	215

The advertising and promotional expenses recorded in the income statement for the twelve months ended December 31, 2004, 2003 and 2002 amounted to Ps. 1,575, Ps. 1,191 and Ps. 606, respectively.

NOTE 9 • Investments in Shares

Company	Ownership as of December 31, 2004		2004		2003
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA")(1)	33.68%	Ps.	144	Ps.	130
Complejo Industrial Can, S.A. ("CICAN")(1)	48.10%		35		53
Beta San Miguel, S.A. de C.V.(2)	2.54%		62		32
Tapón Corona de Colombia, S.A.(1)	40.00%		24		24
Molson, Inc.(3)	0.04%		89		269
Other investments(2)	Various		64		10
		Ps.	418	Ps.	518

(1) Method of valuation is equity method.
(2) Method of valuation is acquisition cost restated (there is no readily determinable fair value).
(3) Method of valuation is market value.

The investment in Molson, Inc. ("Molson") shares resulted from the Brazilian subsidiary's sale of its investment interest of 12.1% in Cervejarias Kaiser, S.A. ("Kaiser"), a Brazilian brewery, to Molson in 2002.

The Molson stock was subject to a two-year contractual restriction on sale that expired on March 19, 2004. The investment in Molson shares in 2003 was recorded at its market value of Ps. 347 and presented net of the fair value of a related equity forward contract of Ps. 78. During the last semester of 2004 most of the Molson shares were sold.

NOTE 10 • Property, Plant and Equipment

		2004		2003
Land	Ps.	2,482	Ps.	2,676
Buildings, machinery and equipment		27,372		26,025
Accumulated depreciation		(12,884)		(11,324)
Construction in progress		671		713
Returnable bottles and cases		1,031		1,043
	Ps.	18,672	Ps.	19,133

The Company has identified fixed assets that are not strategic to the current and future operations of the business and are available for sale, consisting mainly of land, buildings and equipment for disposal, in accordance with an approved program for the disposal of certain investments. Such assets, which are not in use and have been valued at their estimated realizable value without exceeding their restated acquisition cost, are as follows:

		2004
Venezuela	Ps.	60
Colombia		132
Costa Rica		65
	Ps.	257

		2004
Land	Ps.	86
Buildings		114
Equipment		57
	Ps.	257

These fixed assets are considered monetary assets on which a loss on monetary position is computed and recorded in the income statement.

NOTE 11 • Other Assets

		2004		2003
Refrigeration equipment	Ps.	941	Ps.	914
Advertising		157		150
Long-term notes		67		21
Leasehold improvements		30		35
Additional labor liability (see Note 15)		4		23
Yankee bond		37		50
Commissions		48		134
Other		175		145
	Ps.	1,459	Ps.	1,472

NOTE 12 • Intangible Assets

		2004		2003
Unamortized Intangible Assets				
Rights to produce and distribute *Coca-Cola* trademark products:				
Panamco territories	Ps.	35,801	Ps.	35,154
Coca-Cola FEMSA de Buenos Aires		195		199
Tapachula, Chiapas territory		118		118
	Ps.	36,114	Ps.	35,471

NOTE 13 • Balances and Transactions with Related Parties and Associated Companies

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

a) FEMSA and subsidiaries:

Balance Sheet		2004		2003
Assets (accounts receivable)	Ps.	67	Ps.	68
Liabilities (suppliers and other liabilities)		270		305

Transactions		2004		2003		2002
Income:						
Sales and other revenues	Ps.	267	Ps.	182	Ps.	153
Expenses:						
Purchases of inventories		643		1,132		903
Operating expenses		1,411		1,086		722

b) The Coca-Cola Company:

Balance Sheet		2004		2003
Assets (accounts receivable)	Ps.	231	Ps.	269
Liabilities (suppliers and other liabilities)		1,267		852

Transactions		2004		2003		2002
Expenses:						
Purchases of concentrate	Ps.	6,957	Ps.	5,828	Ps.	2,857
Interest expense		13		8		16

c) Other associated and affiliated companies:

For the years ended December 31, 2004, 2003 and 2002, the Company's subsidiaries received services from other companies in which stockholder's of the Company have equity interest.

Balance Sheet		2004		2003
Assets (accounts receivable)	Ps.	24	Ps.	–
Liabilities (suppliers)		94		52

Transactions		2004		2003		2002
Interest expense	Ps.	164	Ps.	36	Ps.	72

Purchases of Products from		2004		2003		2002
IEQSA	Ps.	440	Ps.	270	Ps.	188
CICAN		29		22		83
Tapón Corona de Colombia, S.A.		195		118		–
Distribuidora Plástica, S.A.		3		3		–
Metalforma, S.A.		3		3		–
Embotelladora del Atlántico, S.A.		148		137		123
Vidrios Panameños, S.A.		15		7		–
Beta San Miguel, S.A. de C.V.		915		233		–

NOTE 14 • Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies, other than the functional currency of the reporting unit, translated into US dollars, are as follows:

Balances		Applicable Exchange Rate[1]		Short-Term		Long-Term		Total
December 31, 2004:	Assets	11.146	$	164	$	–	$	164
	Liabilities			47		669		716
December 31, 2003:	Assets	11.235	$	80	$	–	$	80
	Liabilities			283		1,055		1,338

(1) Mexican pesos per one US dollar.

Transactions		**2004**		2003		2002
Interest income	$	9	$	5	$	3
Interest expense and commissions		163		184		28
	$	154	$	179	$	25

As of February 11, 2005, the issue date of these consolidated financial statements, the exchange rate was 11.145 Mexican pesos per one US dollar, and the foreign currency position was similar to that as of December 31, 2004. At such date there have been no major variances in the exchange rates against the US dollar of the countries in which the Company operates.

NOTE 15 • Labor Liabilities

The actuarial calculations for the pension and retirement plan and seniority premiums and the cost for the year ended December 31, 2004 were determined using the following long-term assumptions:

	Annual Discount Rate	Salary Increase	Return on Assets
Mexico	6.0%	2.0%	6.0%
Brazil	4.5%	1.5%	4.5%
Colombia	4.5%	1.5%	–[1]
Costa Rica	4.5%	1.5%	4.5%
Nicaragua	4.5%	1.5%	–[1]
Guatemala	4.5%	1.5%	–[1]
Measurement date	November, 2004		

(1) Not applicable, as the benefits are not funded.

The bases for the determination of the long-term asset return rate is supported by a historical analysis of average returns in real terms of the last 30 years of the “Certificados de Tesorería del Gobierno Federal” (“CETES”) (Federal Government Treasury Certificates) in Mexico (or its equivalent in other countries) and the expectations of long-term returns of the actual investments of the Company.

The operations in Panama, Venezuela and Argentina do not have any pension and retirement plans.

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

Pension and Retirement Plans:		**2004**		2003
Vested benefit obligation	Ps.	256	Ps.	263
Non-vested benefit obligation		453		438
Accumulated benefit obligation		709		701
Excess of projected benefit obligation over accumulated benefit obligation		92		85
Projected benefit obligation		801		786
Pension plan funds at fair value		(229)		(230)
Unfunded projected benefit obligation		572		556
Unrecognized net transition obligation services		(13)		(15)
Unrecognized actuarial net gain		18		40
		577		581
Additional labor liability		11		8
Total	Ps.	588	Ps.	589

Seniority Premiums:		**2004**		2003
Vested benefit obligation	Ps.	16	Ps.	11
Non-vested benefit obligation		32		31
Accumulated benefit obligation		48		42
Excess of projected benefit obligation over accumulated benefit obligation		6		6
Projected benefit obligation		54		48
Unrecognized net transition obligation services		(2)		(2)
Unrecognized actuarial net loss		(22)		(7)
		30		39
Additional labor liability		27		15
Total	Ps.	57	Ps.	54
Total Labor Liabilities	Ps.	645	Ps.	643

Expense for the Period:		**2004**		2003		2002
Pension and Retirement Plans:						
Service cost	Ps.	35	Ps.	26	Ps.	11
Interest cost		20		13		4
Amortization of net actuarial gain		(1)		(3)		(2)
		54		36		13
Seniority Premiums:						
Service cost		7		6		4
Interest cost		3		2		1
Amortization of unrecognized transition obligation		–		3		1
		10		11		6
	Ps.	64	Ps.	47	Ps.	19

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 actual behavior of those variables at the end of the year.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year		Pension and Retirement Plans		Seniority Premiums
2005	Ps.	32	Ps.	3
2006		33		3
2007		33		3
2008		33		4
2009 – 2014		199		29

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 labor liability, which was recorded as an intangible asset included in other assets (see Note 11) up to an amount of the unrecognized net transition obligation services and the difference was recorded as other comprehensive income.

The changes in the balance of the projected benefit obligation and pension plan funds are as follows:

Change in Projected Benefit Obligation		**2004**		2003
Pension and retirement plans				
Initial balance	Ps.	786	Ps.	186
Panamco acquisition		–		567
Service cost		35		26
Interest cost		20		13
Actuarial gain		(28)		(1)
Benefits paid		(12)		(5)
Ending balance	Ps.	801	Ps.	786

		2004		2003
Seniority premium				
Initial balance	Ps.	48	Ps.	24
Panamco acquisition		–		17
Service cost		7		6
Interest cost		3		2
Actuarial gain		(4)		(1)
Ending balance	Ps.	54	Ps.	48

Change in Pension Plan Funds		**2004**		2003
Pension and retirement plans				
Initial balance	Ps.	230	Ps.	39
Panamco acquisition		–		185
Actual return on plan assets in real terms		17		17
Benefits paid		(18)		(11)
Ending balance	Ps.	229	Ps.	230

The trust assets consist of fixed income and variable funds, valued at market.

The pension plan trust assets are invested as of December 31, 2004 and 2003 in the following financial instruments:

	2004	2003
Fixed Rate:		
Traded securities	34%	16%
Bank instruments	11%	34%
Federal government instruments	30%	30%
Variable Rate:		
Publicly-traded shares	25%	20%
	100%	100%

The Company has a policy of maintaining at least 30% of the trust assets in Federal Government instruments. Objective portfolio guidelines have been established for the remaining 70%, and investment decisions are being made to comply with those guidelines to the extent that market conditions and available funds allow. The composition of the objective portfolio is consistent with the Mexican company share composition of the portfolios of the five best-known international companies that manage long-term funds.

The amounts and types of securities of the Company and related parties included in plan assets are as follows:

	2004	2003
Capital:		
FEMSA (FEMSA UBD)	Ps. 2	Ps. 1

NOTE 16 • Bonus Program

The bonus program for executives is based on complying with certain goals established annually by management, which include quantitative and qualitative objectives and special projects.

The quantitative objectives represent approximately 50% of the bonus and are based on the Economic Value Added ("EVA") methodology. The EVA objective for the executives at each entity is based on a combination of the EVA per entity and EVA generated by KOF and FEMSA consolidated, at approximately 70% and 30%, respectively.

The qualitative objectives and special projects represent the remainder of the annual bonus and are based on the critical factor established at the beginning of the year for each executive.

In addition, the Company provides a share compensation plan to certain executives, consisting of an annual cash bonus to purchase stocks in the following procedure, Fifty percent of Coca-Cola FEMSA's annual executive bonus is to be used to purchase FEMSA shares or options and the remainder to purchase Coca-Cola FEMSA shares or options, based on the executive's responsibility in the organization, his business' EVA result achieved, and his individual performance. Such shares or will be deposited in a trust, and the executives may access them one year after they are vested at 20% per year.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. The bonuses are recorded in income from operations and are paid in cash the following year. During the twelve months ended December 31, 2004 and 2003, the bonus expense recorded in the income statement amounted to Ps. 238 and Ps. 194, respectively.

All shares held by the trusts are considered outstanding for earnings per share computations, and dividends on share held by the trusts are charged to retained earnings.

NOTE 17 • Bank Loans and Notes Payable

Current bank loans and notes payable outstanding at December 31, 2004 and 2003 principally consist of revolving loans. In 2004 the loans were denominated in Mexican pesos and in 2003 the loans were denominated in Mexican pesos and US dollars. The weighted average annual interest rate as of December 31, 2004 for debt denominated in Mexican pesos was 7.59% and as of December 31, 2003 for debt denominated in Mexican pesos and US dollars was 6.25% and 6.24%, respectively.

Long-term bank loans and notes payable of the Company are as follows:

	Interest Rate(1)		2004	Interest Rate(2)		2003
Fixed interest rate:						
US dollars:						
Yankee Bond	7.93%	Ps.	5,603	7.92%	Ps.	5,985
Private Placement	10.05%		1,839	9.40%		1,182
Mexican pesos:						
Notes	9.09%		7,250	7.40%		7,626
Units of Investment (UDIS)	8.65%		1,436	8.65%		1,491
Bank Loans	10.02%		4,650	6.83%		2,884
Variable interest rate:						
US dollars:						
Bank Loans	–		–	2.40%		5,971
Leasing	10.07%		24	9.44%		34
Mexican pesos:						
Notes	9.45%		2,750	5.45%		2,893
Bank Loans	9.47%		550	–		–
Colombian pesos:						
Notes	10.09%		678	10.27%		711
			24,780			28,777
Current maturities of long-term debt			(3,064)			(1,321)
Long-term bank loans and notes payable		Ps.	21,716		Ps.	27,456

(1) Weighted average rate in 2004, including the effect of interest rate swaps (see Note 18 c).
(2) Weighted average rate in 2003, including the effect of interest rate swaps (see Note 18 c).

Maturities of long-term bank loans and notes payable as of December 31, 2004 are as follows:

Current maturities of long-term debt	Ps.	3,064
2006		3,883
2007		2,167
2008		3,752
2009		4,329
2010 and thereafter		7,585
	Ps.	24,780

The Company and some of its subsidiaries have financing from different institutions, with different restrictions and covenants, which mainly consist of maximum levels of leverage and capitalization, as well as minimum consolidated net worth and debt and interests coverage ratios. As of December 31, 2004, the Company was in compliance with all restrictions and covenants established in their financing agreements.

As of December 31, 2004 and 2003, the Company had restricted cash of approximately Ps. 168 (denominated in Venezuelan bolivars) which was pledged as collateral of accounts payable to suppliers, and $53 (denominated in US dollars), which was pledged as collateral for some of its short-term liabilities in Venezuela.

NOTE 18 • Fair Value of Financial Instruments

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

		2004		2003
Carrying value	Ps.	24,780	Ps.	28,777
Fair value		25,052		27,969

b) Equity Forward Contract:
As mentioned in Note 9, during 2002 a subsidiary of the Company entered into an equity forward purchase contract, renewed in March and June of 2004 that was finally settled on September 18, 2004, covering 92% of the Molson shares received from the sale of Kaiser, with a notional amount of approximately Ps. 214. The loss recorded on this instrument was Ps. 78 in 2003, which resulted from the difference between the strike price of the forward contract and the market value of the shares. As of December 31, 2004, the remaining investment in Molson shares was recorded at its market value. The net effect in income resulting from the settlement of the forward contract was a gain of Ps. 19.

c) Interest Rate Swaps:
The Company uses interest rate swaps to manage the interest rate risk associated with its borrowings, pursuant to which it pays amounts based on a fixed rate and receives amounts based on a floating rate. Additionally, the Company sold some put options as a complement to the swap agreements, for which a premium was received. The net effect for the years ended December 31, 2004 and 2003 was recorded in the income statement and amounted to Ps. 12 and Ps. 33, respectively.

The fair value is estimated based on quoted market prices to terminate the contracts at the reporting date.

At December 31, 2004, the Company has the following outstanding agreements:

Maturity Date		Notional Amount		Fair Value
April 2007	Ps.	2,000	Ps.	55
August 2007		1,750		(13)
September 2007		500		(1)
April 2008		1,250		25
July 2008		2,500		74
April 2010		750		6
March 2011		1,650		27

d) Forward Agreements to Purchase-Sell US Dollars:
At December 31, 2004 and 2003, the Company does not have any forward agreements to hedge its operations denominated in US dollars.

e) Commodity Price Contracts:
During 2003 and 2002 the Company entered into various derivative contracts maturing in 2004 and 2003 to hedge the cost of aluminum, and carbonated gas. The result of the commodity price contracts was a gain of Ps. 3 as of December 31, 2004 and 2003, which is recorded in the results of operations of the year. The fair value is estimated based on quoted market prices to terminate the contracts at the reporting date.

During 2004 the Company entered into various derivative contracts, maturing in 2004 and 2005 to hedge the cost of sugar with a notional value of Ps. 6. The result of the commodity price contract was immaterial.

f) Cross Currency Swap Contracts:
As of December 31, 2004 the Company had outstanding Cross Currency Swaps ("CCS"), through which the Company exchanged the originally contracted interest rates and currencies on notional amounts of $140 related to long-term debt. During the life of the contracts, the cash flows originated by the exchange of the interest rates under the CCS match those of the underlying debt with respect to interest payments dates and conditions. As of December 31, 2004 the fair value of these instruments was Ps. 1, and the net effect for the period ended December 31, 2004 recorded in the interest expense amounted to Ps. 4. All these CCS were settled in January 2005.

NOTE 19 • Minority Interest in Consolidated Subsidiaries

		2004		2003
Mexico	Ps.	626	Ps.	155
Central America		3		3
Colombia		16		16
Brazil		64		–
	Ps.	709	Ps.	174

NOTE 20 • Stockholders' Equity

As of December 31, 2004, the capital stock of the Company was comprised of 1,846,530 thousands common shares without par value and with no foreign ownership restrictions. Fixed capital amounts to Ps. 821 (nominal value) and variable capital may not exceed 10 times the minimum fixed capital.

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 76% of subscribed capital stock.
- Series "A" shares may only be acquired by Mexican individuals and may not represent less than 51% of the ordinary shares.
- Series "D" shares have open subscription and cannot exceed 49% of the ordinary shares.
- Series "L" shares have limited voting and other corporate rights.

In addition, 98,684 thousand series "L" shares have been authorized and issued but not subscribed.

As of December 31, 2004, Coca-Cola FEMSA's capital stock is comprised as follows:

Series	Thousands of shares
A	844,078
D	731,546
L	270,906
Total	1,846,530

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

		Historical Cost		Restatement		Restated Value
Capital stock	Ps.	821	Ps.	1,972	Ps.	2,793
Additional paid-in capital		9,706		2,248		11,954
Retained earnings from prior years		8,431		3,588		12,019
Majority net income for the year		5,261		143		5,404

At an ordinary stockholders' meeting held on March 9, 2004, the stockholders approved:

- Dividends in the amount of 0.282 Mexican pesos per share (nominal value) were subsequently paid in May 2004.
- A maximum of Ps. 400 (nominal value) for a stock repurchase program.
- An increase to the legal reserve in the amount of Ps. 37.

At a stockholders' meeting held on December 20, 2002, the stockholders approved that the agreements reached in such meeting be deemed legal on the dates required to complete the Panamco acquisition, the most significant of which were an increase in capital stock and additional paid-in capital of Ps. 10,330 to be contributed by FEMSA and The Coca-Cola Company.

At an ordinary stockholders' meeting held on March 11, 2002, the stockholders approved:

- Dividends in the amount of 0.3937 Mexican pesos per share (nominal value) that were subsequently paid in May 2002.
- A maximum of Ps. 400 (nominal value) for a stock repurchase program.

The net income of the Company is not subject to the legal requirement that 5% thereof be transferred to a legal reserve since such reserve equals 20% of capital stock. This reserve may not be distributed to stockholders during the existence of the Company, except as stock dividends. As of December 31, 2004, the legal reserve for Coca-Cola FEMSA amounted to Ps. 164 (nominal value).

Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax at the rate in effect when the dividend is distributed. In 2004, the income tax rate was 33%; it will decrease to 30% in 2005, and subsequently one percentage point each year, until reaching 28% in 2007. Any tax paid on such distribution, may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment.

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect, except for the restated stockholder contributions and distributions made from consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta Consolidada" ("CUFIN"). From 1999 to 2001, the deferral of a portion (3% in 1999 and 5% in 2000 and 2001) of the income tax was allowed, until the distribution of such earnings as dividends. For this purpose a "Cuenta de Utilidad Fiscal Neta Consolidada Reinvertida" ("CUFINRE") was created, which like CUFIN represents previously taxed earnings. Beginning in 2002, the right to defer payment of this income tax was eliminated.

Dividends paid in excess of CUFIN and CUFINRE will be subject to income taxes at a grossed-up rate based on the current statutory rate. Beginning in 2003, this tax may be credited against the income tax of the year in which the dividends are paid and in the following two years against the income tax and estimated tax payments.

As of December 31, 2004, the balances of CUFIN and CUFINRE amounted to Ps. 3,093 and Ps. 2,117, respectively.

NOTE 21 • Net Majority Income per Share

This represents the net majority 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.

NOTE 22 • Tax System

a) Income Tax:
Income tax is computed on taxable income, which differs from accounting income principally due to the treatment of the integral result of financing, the cost of labor liabilities, depreciation and other accounting provisions. In the case of Mexico, it also differs because purchases are deductible instead of cost of sales. The tax loss of any year may be carried forward and could be applied against taxable income as indicated below.

The income tax rates applicable in the countries where the Company operates and the period in which tax loss carryforwards may be applied are as follows:

	Mexico	Guatemala	Nicaragua	Costa Rica	Panama	Venezuela	Colombia	Brazil	Argentina
Statutory tax rate	33.0%	31.0%	30.0%	30.0%	30.0%	34.0%	38.5%	34.0%	35.0%
Tax loss carryforward expiration	10	(a)	3	3	5	3	(b)	(c)	5

(a) In Guatemala tax loss carryforwards may only be applied by companies of recent creation (not applicable to the Company).

(b) Colombian tax losses generated before December 31, 2002 may be carried forward for a period of five years, and tax losses generated after January 1, 2003 may be carried forward for a period of eight years, but limited to 25% of the taxable income of each year.

(c) In Brazil tax loss carryforwards do not expire and may be carried forward indefinitely. Utilization of tax carryforwards in any year, however, is limited to 30% of the taxable income generated in such year.

In Mexico, the income tax rate was 33% in 2004 and 34% in 2003. On December 1, 2004, certain amendments to the income tax law were enacted and are effective as of 2005. The primary amendments were as follows: (a) the income tax rate was reduced to 30% in 2005, 29% in 2006, and 28% as of 2007 and thereafter; (b) for income tax purposes, cost of sales will be deducted instead of inventory purchases and related conversion costs; (c) in 2005, an option was established to amortize inventories on hand at December 31, 2004 into taxable income over a period from 4 to 12 years determined in conformity with the respective tax rules, which include deducting any previous tax basis of inventories and any unamortized tax loss carryforwards and such inventories may be deducted as sold; (d) as of 2006, paid employee statutory profit sharing will be fully deductible for tax purposes.

In April 2004, the Supreme Court of Justice in Mexico issued specific rules for the tax deduction of certain assets in the beverage industry, such as refrigerators, considering them to be fixed assets with finite useful lives. The Company previously considered refrigerators as an expense for tax purposes. This change of criteria has no effect on net income, since the difference between the book and tax basis of the refrigerators was recorded as a deferred income tax liability in prior years. An amount for fines and indexation was recognized in the income statement, and amounted Ps. 139.

b) Tax on Assets:
The operations in Mexico, Guatemala, Nicaragua, Venezuela, Colombia and Argentina are subject to a tax on assets.

The Mexican tax on assets is calculated by applying 1.8% on the net average of the majority of restated assets less certain liabilities and is payable only to the extent that it exceeds the income tax payable for the same period; any required payment of tax on assets is creditable against the excess of the income tax over the tax on assets of the following ten years. On December 1, 2004, certain amendments to the tax on assets laws were published and are effective as of 2005. The primary amendment was the inclusion of the bank liabilities and liabilities with foreign entities in the determination of the IMPAC taxable base.

In Guatemala until December 31, 2003 there was an Alternative Minimum Tax (“IEMA”) equivalent to the lower of 2.25% of the prior years revenues or 3.5% of total assets as of the beginning of the year, which was paid only to the extent that it exceeded the income taxes of the year. If in any year a payment of IEMA was required, this amount was credited against the excess of income taxes over the IEMA of the following year. Such alternative minimum tax was declared unconstitutional on February 2, 2004.

On July 1, 2004, the tax reforms were approved and published by the Congress of the Republic of Guatemala through Decree 18-04 Reforms to the Income Tax and Decree 19-04 the Law of the Extraordinary and Temporary Tax of Support to the Peace Accords (Impuesto Extraordinario y Temporal de Apoyo a los Acuerdos de Paz-IETAAP). The main effects of said decrees were the following:

The effect of a new tax called IETAAP, which will be calculated on 2.5% of either of the following two bases: (a) one fourth of the net assets or (b) one fourth of the gross income. In the event assets are more than four times gross income, the tax will be paid on the income basis. This tax may be credited against the income tax during the following three calendar years. The rate of this tax gradually decreases; it will be 1.25% from January 2005 to June 2006 and 1% from July 2006 to December 2007. During the year 2004, the rate will be reduced by 50% if the tax is paid in a month before its due date (September and December 2004).

Implementation of a new general income tax regimen under which companies will pay 5% on their monthly taxable income as a definitive payment. The companies subject to this regimen are not subject to IETAAP. Additionally, there exists an optional regimen of 31% on taxable income. The operation in Guatemala selected the optional regimen of 31%.

In Nicaragua the tax on assets results from applying a 1% rate to total tax assets as of the end of the year, and it is paid only to the extent that it exceeds the income taxes of the year. If in any year a tax on assets payment is required, this tax is definitive and may not be credited in future years.

In Venezuela the tax on assets results from applying a 1% rate to the net average amount of nonmonetary assets adjusted for inflation. The tax on assets is paid only to the extent that it exceeds the income tax of the year. If in any year a tax on assets payment is required, this amount may be credited against the excess of income taxes over the tax on assets in the following three years.

In Colombia the tax on assets results from applying a 6% rate to net tax assets as of the beginning of the year to determine the basis for the alternative minimum tax, equivalent to 38.5% of such basis. This tax is paid only to the extent that it exceeds the income taxes of the year. If a tax on assets payment was required in 2001 or 2002, the amount may be credited against the excess of income taxes over the tax on assets in the following three years. If a tax on assets payment is required subsequent to 2002, the amount may be credited against the excess of income taxes over the tax on assets in the following five years.

The tax laws in Argentina established a Tax on Minimum Presumptive Income (“TMPI”) that results from applying a rate of 1% to certain productive assets, and it is paid only to the extent that it exceeds the income taxes of the year. If in any year a payment is required, this amount may be credited against the excess of income taxes over the TMPI in the following 10 years.

c) Employee Profit Sharing:
Employee profit sharing is applicable to Mexico and Venezuela. In Mexico employee profit sharing is computed at the rate of 10% of the individual taxable income, except that depreciation of historical, rather than restated values is used, foreign exchange gains and losses are not included until the asset is disposed of or the liability is due, and the other effects of inflation are also excluded. In Venezuela employee profit sharing is equivalent to 15% of after tax earnings.

d) Deferred Income Taxes and Employee Profit Sharing:
The temporary differences that generated deferred income tax liabilities (assets) are as follows:

Deferred Income Taxes		**2004**		2003
Inventories	Ps.	296	Ps.	370
Property, plant and equipment(1)		1,525		1,554
Investments in shares		9		25
Other assets		(316)		123
Pension plan and seniority premiums		(81)		(95)
Tax loss carryforwards		(758)		(786)
Reserves		(648)		(926)
	Ps.	27	Ps.	265

(1) Includes returnable bottles and cases.

The net balances shown above are comprised as follows:

		2004		2003
Deferred tax assets	Ps.	1,353	Ps.	1,355
Deferred tax liabilities		1,380		1,620
Net liability	Ps.	27	Ps.	265

Most of the deferred tax assets arise from tax loss carryforwards and some contingency reserves (mainly in Brazil and Venezuela).

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

		2004		2003
Balance at beginning of the period	Ps.	265	Ps.	860
Balance from Panamco acquisition		–		(1,102)
Provision for the period		(78)		538
Change in the statutory income tax rates		(172)		(40)
Result of holding nonmonetary assets		12		9
Balance at end of the period	Ps.	27	Ps.	265

At December 31, 2004, there are no significant non-recurring temporary differences between the accounting income for the year and the bases for employee profit sharing, therefore the Company did not record a provision for deferred Mexican employee profit sharing.

e) Income Taxes, Tax on Assets and Employee Profit Sharing Provisions:

		2004		2003		2002
Current income tax and tax on assets	Ps.	2,363	Ps.	1,045	Ps.	1,787
Non-recurring gain on tax lawsuits		(1,311)		–		–
Deferred income taxes		(250)		498		81
Employee profit sharing		261		233		144
	Ps.	1,063	Ps.	1,776	Ps.	2,012

A reconciliation of the Mexican statutory income tax rate to the consolidated effective tax rate is as follows:

	2004	2003	2002
Mexican statutory income tax rate	33.00%	34.00%	35.00%
Gain from monetary position	(7.65)	(6.26)	(3.06)
Inflationary component	7.28	6.16	0.58
Non-deductible expenses and other	2.33	3.18	0.95
Income taxed at other than Mexican statutory rate	0.25	(0.83)	1.91
Changes in statutory rates	(2.65)	–	–
Intangible amorization and impairment	–	–	3.44
Consolidated effective tax rate	32.56%	36.25%	38.82%

f) Tax Loss Carryforwards and Recoverable Tax on Assets:
As of December 31, 2004, the subsidiaries in Mexico, Venezuela, Panama, Colombia and Brazil have tax loss carryforwards and/or recoverable tax on assets.

The expiration dates of such amounts are as follows:

Year		Tax Loss Carryforwards		Recoverable Tax on Assets
2005	Ps.	353	Ps.	33
2006		10		21
2007		10		23
2008		15		–
2009 and thereafter		3,053		–
		3,441		77

Due to the uncertainty of the realization of certain tax loss carryforwards and recoverable tax on assets, as of December 31, 2004 a valuation allowance has been provided for Ps. 1,237 of the carryforward.

		2004		2003		2002
Initial balance	Ps.	1,464	Ps.	–	Ps.	–
Acquisition of Panamco		–		1,464		–
Provision for the period		373		–		–
Cancellation of provision		(600)		–		–
Ending balance	Ps.	1,237	Ps.	1,464	Ps.	–

NOTE 23 • Contingencies and Commitments

a) Settled Lawsuits:

During 2002 and 2003, certain subsidiaries of the Company initiated appeals related to the Impuestos Especiales sobre Producción y Servicios ("IEPS") ("Special Tax on Products and Services") applicable to inventories produced with high fructose content. Additionally, during 2003, the Company included in its appeal the IEPS applicable to dietetic soft drinks and mineral waters. On June 30, 2004 and November 21, 2003, the Company obtained a favorable resolution for its 2003 and 2002 claims. Based on the favorable resolution, the Company recorded a receivable for refundable taxes of Ps. 236 related to 2003 and 2002.

In May 2004, the Company obtained a favorable final ruling not subject to appeal from a Mexican Federal Court allowing it to deduct a tax loss carryforward arising from a sale of shares during 2002, in the amount of Ps. 1,311 which is included in the income statement (see Note 22 e).

b) Unsettled Lawsuits:

The Company has various loss contingencies, and reserves have been recorded in those cases where the Company believes and unfavorable resolution is probable. Most of these loss contingencies have been recorded as an increase of the intangible assets recorded as a result of the Panamaco acquisitions. The following table presents the nature and amount of the loss contingencies as of December 31, 2004:

		Short-Term		Long-Term		Total
Tax	Ps.	97	Ps.	1,144	Ps.	1,241
Legal		–		163		163
Labor		60		219		279
Total	Ps.	157	Ps.	1,526	Ps.	1,683

In 2000, the Comisión Federal de Competencia in Mexico (the Mexican Antitrust Commission, the "Commission") initiated an investigation of the sales practices of *Coca-Cola* and its bottlers. In February 2002, through a final resolution, the Mexican Antitrust Commission held that *Coca-Cola* and its bottlers engaged in monopolistic practices with respect to exclusivity arrangements with certain retailers, and ordered *Coca-Cola* and its bottlers, to abstain from entering into any exclusivity arrangement with retailers. The Company, along with other *Coca-Cola* bottlers, appealed the resolution. The Company and its legal counsel believe that it is probable to prevail and obtain a permanent injunction against the Commission. The Company's management does not consider it necessary to record any reserve for this contingency.

In September 2004, Embotelladora Tica, the Company's Costa Rica subsidiary, was required to pay approximately $12 for taxes on sale of carbonated soft drinks from April 2002 through July 2003. In previous years, the Company was also required to pay similar taxes, for which the Company appealed and was successful. The Company will initiate legal actions against this assessment by the tax authorities, and based on previous experience, management does not believe it will have a material adverse effect on its financial condition or results of operations.

In September 2002, Refrescos Nacionales, S.A. (the Pepsi franchise in Panama) filed a lawsuit against the Company's Panamanian subsidiaries for approximately $98, alleging the use of monopolistic practices related basically to the use of exclusivity agreements with customers. The procedures were suspended temporarily, pending settlement among the parties, which did not occur. Therefore, proceeding will initiate in August 2004. Management does not believe that the resolution of this matter will have a material adverse effect on its financial condition or results of operations. The Company has recorded a liability of Ps. 5 for the related legal fees and expenses.

In 1999, the Company received notice of certain tax claims asserted by the Venezuelan taxing authorities. These claims currently total approximately $17. The Company has certain rights to indemnification from the original owner before Panamco and The Coca-Cola Company for a substantial portion of such claims. The Company does not believe that the ultimate disposition of these cases will have a material adverse effect on its financial condition or results of operations. The Company has reserved only the expected legal fees to be incurred.

The Venezuelan subsidiary was the subject of lawsuits filed by former distributors, claiming alleged labor and severance rights owed to them at the time of the termination of their relationship with the Venezuelan subsidiary, for a total amount of approximately $21. The Company believes based on the decisions rendered by the Supreme Court on similar cases, as well as based on the analysis of each case, that these claims are without merit. A reserve of $2.2 has been recorded for this contingency.

In 2001, a labor union and several individuals from the Republic of Colombia filed a lawsuit in the US District Court for the Southern District of Florida against the Company and The Coca-Cola Company. In the complaint, the plaintiffs alleged that the Company engaged in wrongful acts against the labor union and its members in Colombia for the amount of $500. The Company has filed a motion to dismiss the complaint for lack of subject matter and personal jurisdiction and believes this lawsuit is without merit. The Company has received proposals to settle the claim, but no agreements have been reached. The Company has reserved only the expected legal fees to be incurred for approximately $1.7.

As is customary in Brazil, the Company has been requested to secure tax contingencies currently in litigation by pledging fixed assets of Ps. 253 and contracting bonds backed by lines of credit in the amount of Ps. 337 (denominated in Brazilian currency) in favor of the tax authorities.

Other legal proceedings are pending against or involve the Company and its subsidiaries, which are incidental to the conduct of their businesses. The Company believes that the ultimate disposition of such other proceedings will not have a material adverse effect on its consolidated financial condition or results of operations.

c) Commitments:

As of December 31, 2004 the Company has operating lease commitments, mainly for computers and distribution equipment and office buildings, as follows:

2005	Ps.	200
2006		191
2007		175
2008		144
2009		189
2010 and thereafter		56
	Ps.	955

Rental expense for all operating leases charged against earnings amounted to approximately Ps. 298, Ps. 162 and Ps. 49 for the years ended December 31, 2004, 2003 and 2002, respectively.

NOTE 24 • Information by Segment

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

Total Revenues		2004		2003		2002
Mexico	Ps.	26,658	Ps.	24,904	Ps.	17,718
Central America[1]		3,459		2,277		–
Venezuela		4,776		2,884		–
Colombia		4,066		2,773		–
Brazil		5,137		3,182		–
Argentina		2,451		2,101		1,868
Consolidation adjustments		(48)		–		–
	Ps.	46,499	Ps.	38,121	Ps.	19,586

Income from Operations		2004		2003		2002
Mexico	Ps.	5,519	Ps.	5,775	Ps.	4,835
Central America[1]		419		217		–
Venezuela		375		264		–
Colombia		433		312		–
Brazil		458		169		–
Argentina		383		221		31
Consolidation adjustments		109		141		–
	Ps.	7,696	Ps.	7,099	Ps.	4,866

Depreciation[2]		2004		2003		2002
Mexico	Ps.	839	Ps.	763	Ps.	643
Central America[1]		160		107		–
Venezuela		199		121		–
Colombia		268		169		–
Brazil		82		49		–
Argentina		110		128		166
	Ps.	1,658	Ps.	1,337	Ps.	809

Amortization		2004		2003		2002
Mexico	Ps.	231	Ps.	441	Ps.	269
Central America[1]		44		175		–
Venezuela		(105)		33		–
Colombia		42		132		–
Brazil		125		(100)		–
Argentina		1		85		37
	Ps.	338	Ps.	766	Ps.	306

Other Non-Cash Charges[3]		2004		2003		2002
Mexico	Ps.	39	Ps.	29	Ps.	19
Central America[1]		11		11		–
Venezuela		–		–		–
Colombia		8		6		–
Brazil		6		1		–
Argentina		–		–		–
	Ps.	64	Ps.	47	Ps.	19

Interest Expense		2004		2003		2002
Mexico	Ps.	2,391	Ps.	1,570	Ps.	361
Central America[1]		18		13		–
Venezuela		75		12		–
Colombia		95		55		–
Brazil		72		18		–
Argentina		35		33		5
Consolidation adjustments		(155)		(76)		–
	Ps.	2,531	Ps.	1,625	Ps.	366

Interest Income		2004		2003		2002
Mexico	Ps.	181	Ps.	202	Ps.	270
Central America[1]		15		9		–
Venezuela		14		3		–
Colombia		108		72		–
Brazil		96		39		–
Argentina		10		3		7
Consolidation adjustments		(158)		(77)		–
	Ps.	266	Ps.	251	Ps.	277

Income Tax and Tax on Assets		2004		2003		2002
Mexico	Ps.	451	Ps.	1,103	Ps.	1,890
Central America[1]		84		63		–
Venezuela		(109)		39		–
Colombia		129		214		–
Brazil		146		37		–
Argentina		109		71		(22)
Consolidation adjustments		(8)		16		–
	Ps.	802	Ps.	1,543	Ps.	1,868

Capital Expenditures[4]		2004		2003		2002
Mexico	Ps.	1,102	Ps.	1,505	Ps.	1,397
Central America[1]		164		152		–
Venezuela		240		51		–
Colombia		120		1		–
Brazil		250		190		–
Argentina		53		108		84
	Ps.	1,929	Ps.	2,007	Ps.	1,481

Long-term Assets		2004		2003
Mexico	Ps.	49,125	Ps.	47,969
Central America[1]		4,916		5,111
Venezuela		3,544		3,264
Colombia		6,003		5,765
Brazil		4,693		4,859
Argentina		1,185		1,272
Consolidation adjustments		(11,450)		(10,291)
	Ps.	58,016	Ps.	57,949

(1) Includes Guatemala, Nicaragua, Costa Rica, and Panama.
(2) Includes breakage of returnable bottles and cases.
(3) Includes the cost for the year relative to labor liability (see Note 15).
(4) Includes investments in property, plant and equipment and other assets, and excludes investment in shares.

Total Assets		2004		2003
Mexico	Ps.	54,390	Ps.	54,896
Central America[1]		5,972		5,913
Venezuela		4,393		4,093
Colombia		8,136		7,933
Brazil		6,068		6,084
Argentina		1,893		1,677
Consolidation adjustments		(13,786)		(13,928)
	Ps.	67,066	Ps.	66,668

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

NOTE 25 • Differences Between Mexican GAAP and US GAAP

The consolidated financial statements of the Company are prepared in accordance with Mexican GAAP, which differs in certain significant respects from US GAAP. A reconciliation of the reported majority net income, majority stockholders' equity and majority comprehensive income to US GAAP is presented in Note 26. It should be noted that this reconciliation to US GAAP does not include the reversal of the restatement of the financial statements as required by Bulletin B-10, "Reconocimiento de los Efectos de la Inflacion en la Informacion Financiera" (Recognition of the Effects of Inflation in the Financial Information), of Mexican GAAP, since the application of this bulletin represents a comprehensive measure of the effects of price-level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting in Mexican pesos for both Mexican and US accounting purposes.

The principal differences between Mexican GAAP and US GAAP included in the reconciliation that affect the consolidated financial statements of the Company are described below.

a) Restatement of Prior Year Financial Statements:
As explained in Note 5 a), in accordance with Mexican GAAP, the financial statements for Mexican subsidiaries for prior years were restated using inflation factors, and for foreign subsidiaries and affiliated companies for prior years were restated using the inflation rate of the country in which the foreign subsidiary or affiliated company is located, then translated to Mexican pesos at the year-end exchange rate.

Under US GAAP, the Company applies the regulations of the Securities and Exchange Commission of the United States of America ("SEC"), which require that prior year financial statements be restated in constant units of the reporting currency, in this case the Mexican peso, which requires the restatement of such prior year amounts using Mexican inflation factors.

Additionally, all other US GAAP adjustments for prior years have been restated based upon the SEC methodology.

b) Classification Differences:
Certain items require a different classification in the balance sheet or income statement under US GAAP. These include:

- As explained in Note 5 c), under Mexican GAAP advances to suppliers are recorded as inventories. Under US GAAP advances to suppliers are classified as prepaid expenses.
- The impairment of goodwill and other long-lived assets, the gain or loss on the disposition of fixed assets and employee profit sharing must be included in operating expenses under US GAAP.
- As explained in Note 5 l), under Mexican GAAP the severance payments resulting from the Company's reduction of personnel, as a result of the restructuring of certain areas are included in other expenses. Under US GAAP these payments are classified as cost of sales and operating expenses.

c) Deferred Promotional Expenses:
As explained in Note 5 d), for Mexican GAAP purposes, the promotional costs related to the launching of new products or presentations are recorded as prepaid expenses. For US GAAP purposes, such promotional costs are expensed as incurred.

d) Intangible Assets:
As mentioned in Note 5 i), under Mexican GAAP until January 1, 2003 all intangible assets were amortized over a period of no more than 20 years. Effective January 1, 2003 revised Bulletin C-8, "Activos Intangibles" (Intangible Assets) ("C-8"), went into effect and recognizes that certain intangible assets have indefinite lives and should not be amortized. Under US GAAP, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", effective January 1, 2002, goodwill and indefinite-lived intangible assets are also no longer subject to amortization but rather are subject to periodic assessment for impairment. Accordingly, amortization of indefinite-lived intangible assets was discontinued in 2002 for US GAAP and in 2003 for Mexican GAAP.

As a result of the adoption of this standard, the Company performed an impairment test as of January 1, 2002 and found no impairment. Subsequent impairment tests are performed annually by the Company, unless an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, in which case an impairment test would be performed between annual tests. As mentioned in Note 4, due to significant adverse changes in the Argentine economy during 2002, on July 1, 2002 the Company recognized an impairment of the intangible generated by the acquisition of Coca-Cola FEMSA de Buenos Aires.

e) Restatement of Imported Equipment:
As explained in Note 5 e), under Mexican GAAP, imported machinery and equipment have been restated by applying the inflation rate of the country of origin, then translated at the year-end exchange rate of the Mexican peso.

Under US GAAP, the Company applies the SEC regulations, which require that all machinery and equipment, both domestic and imported, be restated using inflation factors.

f) Capitalization of the Integral Cost of Financing:
Under Mexican GAAP, the capitalization of the integral cost of financing (interest, foreign exchange and monetary position) generated by loan agreements obtained to finance investment projects is optional, and the Company has elected not to capitalize the integral cost of financing.

In accordance with US 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 cost of financing is included in the US GAAP reconciliation of the majority net income and majority stockholders' equity. If the borrowings are denominated in US 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 interest to be capitalized as noted above is reduced by the gain on monetary position associated with the debt.

g) Financial Instruments:
In accordance with Mexican GAAP, as mentioned in Note 5 q), the Company values and records all derivative instruments and hedging activities according to Bulletin C-2, "Instrumentos Financieros" (Financial Instruments).

Under US GAAP, the Company values and records all derivative instruments and hedging activities according to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the fair value of the derivative instrument be recognized in the net income of the year or other comprehensive income, if the instruments represent effective cash flow hedges that qualify for hedge accounting.

Under Mexican GAAP, the derivative contracts for aluminum prices, carbonic gas and sugar, as well as the equity forward contracted by the Company (see Note 18), have been designated as hedges and accordingly valued using the same valuation criteria applied to the underlying asset or liability, which are recognized in the income statement when the consumption or payment takes place. However, under US GAAP, these agreements must be adjusted to their market value, recognizing the corresponding asset or liability. Since the hedging relationship required by US GAAP has not been documented, a reconciling item has been included in the US GAAP reconciliation to adjust earnings for this difference in accounting criteria.

Certain of the lease contracts are denominated in US dollars. Under US GAAP such contracts qualify as foreign exchange embedded derivative contracts. Accordingly, a reconciling item has been included in the US GAAP reconciliation to adjust other comprehensive income for this difference in accounting criteria.

h) Deferred Income Taxes and Employee Profit Sharing:
The Company follows SFAS No. 109, "Accounting for Income Taxes", for US GAAP purposes, which differs from Mexican GAAP as follows:

- Under Mexican GAAP, deferred taxes are classified as non-current, while under US GAAP are based on the classification of the related asset or liability.
- Under Mexican GAAP, the effects of inflation on the deferred tax balance generated by monetary items are recognized in the result on monetary position. Under US GAAP, the deferred tax balance is classified as a nonmonetary item. As a result, the consolidated income statement differs with respect to the presentation of the gain (loss) on monetary position and deferred income tax provision.
- Under Mexican GAAP, deferred employee profit sharing is calculated considering only those temporary differences that arise during the year and which are expected to turn around within a defined period, while under US GAAP, the same liability method as used for deferred income taxes is applied. Since as of 2006 employee statutory profit sharing paid will be fully deductible (see Note 22 a), under US GAAP a deferred tax asset has been recorded for the future benefit of such deduction.
- The differences in prepaid expenses, restatement of imported machinery and equipment, capitalization of financing costs, financial instruments and pension plan mentioned in Note 25 c), e), f), g) and i) generate a difference when calculating the deferred income tax under US GAAP compared to that presented under Mexican GAAP (see Note 22 d).

Reconciliation of Deferred Income Taxes		**2004**		2003
Deferred income taxes under Mexican GAAP	Ps.	27	Ps.	265
US GAAP adjustments:				
Deferred promotional expenses		(15)		(38)
Restatement of imported machinery and plant and equipment, net		41		(8)
Financial instruments		42		(35)
Deferred employee profit sharing		(129)		–
Pension and retirement plans		1		2
Total adjustments		(60)		(79)
Restatement of prior year financial statements		–		131
Deferred income taxes under US GAAP	Ps.	(33)	Ps.	317

The changes in the balance of the deferred income taxes for the years under US GAAP are as follows:

		2004		2003
Balance at the beginning of the year	Ps.	317	Ps.	976
Provision for the year		(466)		356
Other comprehensive income		73		(34)
Panamco acquisition effect		–		(983)
Inflation adjustments		43		2
Balance at the end of the year	Ps.	(33)	Ps.	317

Reconciliation of Deferred Employee Profit Sharing		2004		2003
Deferred employee profit sharing under Mexican GAAP	Ps.	–	Ps.	–
US GAAP adjustments:				
Inventories		100		112
Property, plant and equipment, net		454		459
Other assets		(8)		50
Pension and retirement plans		(31)		(28)
Other reserves		(53)		(76)
Total adjustments		462		517
Deferred employee profit sharing under US GAAP	Ps.	462	Ps.	517

The changes in the balance of the deferred employee profit sharing for the years under US GAAP are as follows:

		2004		2003
Balance at the beginning of the year	Ps.	517	Ps.	443
Provision for the year		(54)		38
Panamco acquisition effect		–		38
Inflation adjustment		(1)		(2)
Balance at the end of the year	Ps.	462	Ps.	517

i) Pension Plan:

Under Mexican GAAP, the liabilities for employee benefits are determined using actuarial computations in accordance with Bulletin D-3, "Obligaciones Laborales" (Labor Obligations), which is substantially the same as US GAAP SFAS No. 87, "Employers' Accounting for Pensions", except for the initial year of application of both bulletins, which generates a difference in the unamortized prior service costs and in the amortization expense.

Under Mexican GAAP and US GAAP, there is no difference in the liabilities for seniority premiums.

The Company has prepared a study of pension costs under US GAAP based on actuarial calculations using the same assumptions applied under Mexican GAAP (see Note 15).

The required disclosures under SFAS No. 87 are as follows:

Net Pension Cost		2004		2003		2002
Service cost	Ps.	36	Ps.	23	Ps.	11
Interest cost		42		24		7
Actual return on plan assets		(20)		(8)		(3)
Amortization of prior service cost and actuarial changes		–		(1)		(1)
Net pension cost under US GAAP		58		38		14
Net pension cost recorded under Mexican GAAP		(54)		(36)		(13)
Additional expense (income) that must be recognized under US GAAP	Ps.	4	Ps.	2	Ps.	1

Pension Liability		2004		2003
Projected benefit obligation	Ps.	801	Ps.	739
Pension plan funds at fair value		(229)		(216)
Unfunded projected benefit obligation		572		523
Unrecognized net transition obligation		(14)		(10)
Unrecognized net gain		25		37
Total unfunded accrued pension liability under US GAAP		583		550
Total unfunded accrued pension liability under Mexican GAAP		(588)		(589)
Restatement of prior year financial statements (Note 25 a)		–		34
Liability that must be canceled under US GAAP	Ps.	(5)	Ps.	(5)

j) Minority Interest:

Under Mexican GAAP, the minority interest in consolidated subsidiaries is presented as a separate component within stockholders' equity in the consolidated balance sheet.

Under US GAAP, this item must be excluded from consolidated stockholders' equity in the consolidated balance sheet. Additionally, the minority interest in the net earnings of consolidated subsidiaries is excluded from consolidated net income.

The US GAAP adjustments shown in Note 26 a) and b) are calculated on a consolidated basis. Therefore, the minority interest effect is presented as a separate line item, in order to obtain net income and stockholders' equity.

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, "Estado de Cambios en la Situacion Financiera" (Statement of Changes in Financial Position), which identifies the generation and application of resources by the differences between beginning and ending financial statement balances in constant Mexican pesos. Bulletin B-12 also requires that monetary and foreign exchange gains and losses be treated as cash items for the determination of resources generated by operations.

In accordance with US GAAP, the Company follows SFAS No. 95, "Statement of Cash Flows", which is presented excluding the effects of inflation (see Note 25 l).

l) Summarized Consolidated Financial Information under US GAAP:

Consolidated Balance Sheets		**2004**		2003
ASSETS				
Current Assets:				
Cash and cash equivalents	Ps.	3,603	Ps.	2,928
Accounts receivable		2,104		1,908
Inventories		2,442		2,147
Recoverable taxes		723		1,145
Deferred tax assets		724		1,285
Prepaid expenses		126		248
Total Current Assets		9,722		9,661
Property, plant and equipment, net		18,810		18,675
Investments in shares		418		495
Deferred tax assets		1,223		547
Other assets, net		1,597		1,449
Intangible assets, net		36,155		35,512
TOTAL ASSETS	Ps.	67,925	Ps.	66,339
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Bank loans	Ps.	208	Ps.	1,743
Current maturities of long-term debt		3,064		1,310
Interest payable		314		395
Suppliers		4,144		3,552
Deferred tax liabilities		296		371
Accrued taxes		1,322		1,078
Accrued expenses and other liabilities		1,635		1,812
Total Current Liabilities		10,983		10,261
Long-term Liabilities:				
Bank loans and notes payable		21,743		27,393
Pension plan and seniority premiums		640		605
Deferred tax liabilities		1,618		1,778
Other liabilities		2,964		2,935
Total Long-term Liabilities		26,965		32,711
Total Liabilities		37,948		42,972
Minority interest in consolidated subsidiaries		709		174
Stockholders' equity		29,268		23,193
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps.	67,925	Ps.	66,339

Consolidated Income Statements		2004		2003		2002
Net sales	Ps.	46,290	Ps.	37,090	Ps.	19,131
Other operating revenues		209		255		141
Total revenues		46,499		37,345		19,272
Cost of sales		24,045		18,927		8,948
Gross profit		22,454		18,418		10,324
Operating expenses:						
Administrative		2,738		2,035		1,546
Selling		12,302		9,516		4,101
		15,040		11,551		5,647
Income from operations		7,414		6,867		4,677
Integral cost of financing:						
Interest expense		2,531		1,609		371
Interest income		(266)		(239)		(276)
Foreign exchange (gain) loss, net		38		2,133		(216)
Gain on monetary position		(1,540)		(916)		(422)
		763		2,587		(543)
Other expense, net		284		219		497
Income for the year before income taxes		6,367		4,061		4,723
Income taxes		586		1,622		1,962
Income for the year before minority interest		5,781		2,439		2,761
Minority interest in results of consolidated subsidiaries		23		21		–
Net income for the year		5,758		2,418		2,761
Other comprehensive income		853		669		(978)
Comprehensive income	Ps.	6,611	Ps.	3,087	Ps.	1,783
Net income per share (constant Mexican pesos)	Ps.	3.12	Ps.	1.42	Ps.	1.94

Consolidated Cash Flows[1]		2004		2003		2002
Net income	Ps.	5,723	Ps.	2,229	Ps.	2,524
Minority interest		23		20		–
Inflation effect		(258)		(53)		(108)
Depreciation		1,142		1,559		482
Breakage of returnable bottles and cases		404		259		187
Other non-cash charges		(748)		650		602
Deferred income taxes		(466)		338		134
Working capital investment		1,012		(2,552)		30
Interest payable		(62)		169		9
Labor obligations		(64)		(34)		(32)
Net cash flows from operating activities		6,706		2,585		3,828
Investments in:						
Property, plant and equipment		(1,310)		(1,915)		(1,114)
Panamco acquisition		–		(29,192)		–
Other assets		(539)		–		–
Net cash flows used in investing activities		(1,849)		(31,107)		(1,114)
Bank loans		(3,992)		15,890		(19)
Increase in capital stock		3		9,585		–
Dividends declared and paid		(521)		–		(561)
Other financial transactions		473		(974)		(230)
Net cash flows (used in) provided by financing activities		(4,037)		24,501		(810)
Net increase (decrease) in cash and cash equivalents		820		(4,021)		1,904
Cash received in acquisition of Panamco		–		633		–
Initial balance		2,783		6,171		4,267
Ending balance	Ps.	3,603	Ps.	2,783	Ps.	6,171

(1) Expressed in historical Mexican pesos.

Supplemental Information about Cash Flows:[1]		**2004**		2003		2002
Interest paid	Ps.	2,268	Ps.	1,125	Ps.	43
Income tax and tax on assets paid		1,833		1,589		1,873

(1) Expressed in historical Mexican pesos.

Statements of Changes in Stockholders' Equity		**2004**		2003
Stockholders' equity at the beginning of the year	Ps.	23,193	Ps.	9,777
Increase in capital stock		3		10,330
Net income for the year		5,758		2,418
Dividends declared and paid		(539)		–
Other comprehensive income:				
Translation adjustment		392		(218)
Result of holding nonmonetary assets		291		957
Other		170		(71)
Stockholders' equity at the end of the year	Ps.	29,268	Ps.	23,193

NOTE 26 • Reconciliation of Mexican GAAP to US GAAP

a) Reconciliation of Net Income:

		2004		2003		2002
Net majority income under Mexican GAAP	Ps.	5,404	Ps.	2,463	Ps.	2,800
US GAAP adjustments:						
Restatement of prior year financial statements (Note 25 a)		–		(31)		5
Deferred promotional expenses (Note 25 c)		64		(106)		(11)
Intangible assets (Note 25 d)		–		–		41
Restatement of imported machinery and equipment (Note 25 e)		30		8		(14)
Capitalization of the integral result of financing (Note 25 f)		(6)		(6)		(1)
Financial instruments (Note 25 g)		–		8		(5)
Deferred income taxes (Note 25 h)		216		122		53
Deferred employee profit sharing (Note 25 h)		54		(38)		(106)
Pension plan (Note 25 i)		(4)		(2)		(1)
Total adjustments		354		(45)		(39)
Net income under US GAAP	Ps.	5,758	Ps.	2,418	Ps.	2,761

Under US GAAP, the monetary position effect of the income statement adjustments is included in each adjustment, except for the capitalization of the integral cost of financing, goodwill and pension plan liabilities that are nonmonetary.

b) Reconciliation of Stockholders' Equity:

		2004		2003
Majority stockholders' equity under Mexican GAAP	Ps.	29,400	Ps.	24,120
US GAAP adjustments:				
Restatement of prior year financial statements (Note 25 a)		–		(290)
Deferred promotional expenses (Note 25 c)		(53)		(117)
Intangible assets (Note 25 d)		41		41
Restatement of imported machinery and equipment (Note 25 e)		69		(99)
Capitalization of the integral cost of financing (Note 25 f)		69		75
Financial instruments (Note 25 g)		139		(104)
Deferred income taxes (Note 25 h)		60		79
Deferred employee profit sharing (Note 25 h)		(462)		(517)
Pension plan (Note 25 i)		5		5
Total adjustments		(132)		(927)
Stockholders' equity under US GAAP	Ps.	29,268	Ps.	23,193

c) Reconciliation of Comprehensive Income:

		2004		2003		2002
Majority comprehensive income under Mexican GAAP	Ps.	5,816	Ps.	3,209	Ps.	2,269
US GAAP adjustments:						
Net income (Note 26 a)		354		(45)		(39)
Other comprehensive income:						
Translation adjustment		392		(218)		(739)
Result of holding nonmonetary assets		(121)		212		292
Other		170		(71)		–
Comprehensive income under US GAAP	Ps.	6,611	Ps.	3,087	Ps.	1,783

NOTE 27 • Future Impact of Recently Issued Accounting Standards Not Yet in Effect

a) In Mexican GAAP:

The Instituto Mexicano de Contadores Públicos ("IMCP") issued the following bulletins whose application is mandatory effective January 1, 2005. The Company does not anticipate that these new standards will have a significant impact on its financial position or results of operations.

Bulletin D-3, "Obligaciones laborales" ("Labor obligations") (Bulletin D-3):

Revised Bulletin D-3 establishes: (i) accounting standards for post-retirement benefits other than pension, which in accordance with Circular No. 50, were previously regulated by International Accounting Standard No. 19; (ii) accounting standards for the treatment of reductions and early extinguishment of post retirement benefits other than pensions; and (iii) accounting standards for severance payments resulting from a restructuring and severance payments resulting from situations other than a restructuring.

Bulletin C-10, "Instrumentos financieros derivados y operaciones de cobertura" ("Derivative financial instruments and hedging transactions") (Bulletin C-10):

Bulletin C-10 establishes detailed accounting guidelines for the valuation, presentation and disclosure of derivative financial instruments. In addition, it establishes the conditions to consider financial instruments as hedging, and classifies hedging as follows: (i) fair value; (ii) cash flow; and (iii) foreign currency, for purposes of defining whether the gain or loss that results from the valuation of hedging instruments at fair value should be recorded in current year income or other comprehensive income. This new standard substantially conforms Mexican GAAP to US GAAP.

Bulletin C-2, "Documento de Adecuaciones al Boletín C-2" ("Amendments to Bulletin C-2"):

Amendments to Bulletin C-2 establish that the gain or loss attributable to changes in the fair value of financial instruments classified as available for sale and their monetary effect, should be recognized in other comprehensive income, and upon their sale should be recognized in income. Bulletin C-2 does not allow the transfer of financial instruments originally classified as trading to be available for sale or held until maturity or vice-versa. Amendments to Bulletin C-2 also incorporates detailed rules to recognize impairment in the value of financial instruments. This revised standard substantially conforms Mexican GAAP to US GAAP.

Bulletin B-7, "Adquisiciones de Negocios" ("Business Acquisitions"):

Bulletin B-7 establishes: (i) the purchase method as the only acceptable method to account for business combinations and that IAS No. 22, "Business Combinations", will no longer be supplemental; (ii) the prohibition of the amortization of goodwill; (iii) specific standards for the acquisition of minority interest and asset transfers or share exchanges between companies under common control; and (iv) supplements the accounting for intangible assets recognized in a business combination in accordance with Bulletin C-8. This new standard substantially conforms Mexican GAAP to US GAAP.

b) In US GAAP:

"Share-Based Payments" or SFAS 123(R):

This statement eliminates the option to apply the intrinsic value measurement provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" to stock compensation awards issued to employees. Rather, SFAS 123(R) requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award–the requisite service period (usually the vesting period). SFAS 123(R) applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. SFAS 123(R) will be effective for our fiscal year ending December 31, 2006. The Company has not yet quantified the effect of the future adoption of SFAS 123(R) on a going forward basis.

"Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29" or SFAS 153:

In December 2004, the FASB issued SFAS No. 153, which amends APB Opinion No. 29, "Accounting for Nonmonetary Transactions" to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. We do not anticipate that the adoption of this statement will have a material effect on our financial position or results of operations.

"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"):

In March 2004, the Emerging Issues Task Force ("EITF") confirmed as a consensus EITF Issue No. 03-1. The objective of this Issue is to provide guidance on determining when an investment is considered impaired, whether that impairment is other-than-temporary, and the measurement of an impairment loss. The guidance also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. In September 2004, the FASB issued FASB Staff Position ("FSP") EITF Issue 03-1-1 that delays the effective date for the measurement and recognition guidance included in EITF 03-1. The disclosures required by EITF 03-1 have not been deferred and are effective for the annual periods ending after June 15, 2004.

GLOSSARY

The Coca-Cola Company: Founded in 1886, The Coca-Cola Company is the world's leading manufacturer, marketer and distributor of non-alcoholic beverage concentrates and syrups that are used to produce more than 230 beverage brands. The Coca-Cola Company's corporate headquarters are in Atlanta with local operations in nearly 200 countries around the world.

Consumer: Person who consumes Coca-Cola FEMSA products.

Customer: Retail outlet, restaurant or other operation that sells or serves the Company's products directly to consumers.

Fomento Económico Mexicano, S.A. de C.V. (FEMSA): Founded in 1890, Monterrey, Mexico-based FEMSA is the largest beverage company in Latin America, with exports to the United States and selected markets in Europe, Asia and Latin America. Its subsidiaries include: FEMSA Cerveza, which produces and sells recognized beer brands such as *Tecate, Carta Blanca, Superior, Sol, XX Lager, Dos Equis* and *Bohemia*; Coca-Cola FEMSA; FEMSA Empaques (Packaging); FEMSA Comercio (Retail); and FEMSA Logistica (Logistics).

Per Capita Consumption: The average number of eight-ounce servings consumed per person, per year in a specific market. To calculate per capita consumption, the Company multiplies its unit case volume by 24 and divides by the population.

Serving: Equals eight fluid ounces of a beverage.

Soft Drink: A non-alcoholic carbonated beverage containing flavorings and sweeteners. It excludes flavored waters and carbonated or non-carbonated tea, coffee and sports drinks.

Unit Case: Unit of measurement that equals 24 servings.

Unit Case Volume: Number of unit cases that the Company sells to its customers. It is considered an excellent indicator of the underlying strength of soft drink sales in a particular market.

BOARD COMMITTEES

Finance Committee.
The Finance and Planning Committee works with the management to set annual and long-term strategic and financial plans of the Company and monitors adherence to these plans. It is responsible for setting the optimal capital structure of the Company and recommends the appropriate level of borrowing as well as the issuance of securities. Financial risk management is another responsibility of the Finance and Planning Committee. The members are Armando Garza Sada, Steven J. Heyer, Federico Reyes García, Ricardo Guajardo Touché and Alfredo Martínez Urdal†. The Secretary of the Finance and Planning Committee is Héctor Treviño Gutiérrez, our Chief Financial Officer.

Audit Committee.
The Audit Committee is responsible for reviewing the accuracy and integrity of the quarterly and annual financial statements as well as performance of the external and internal auditors. It works to develop the internal and external audit plan and reviews the auditors' recommendations on internal controls. In addition, this Committee is responsible for the review of all significant unusual transactions, as well as transactions with related parties. Alexis Rovzar de la Torre is the President of the Audit Committee. The additional members are: Charles H. McTier, José Manuel Canal Hernando (designed as financial expert) and Francisco Zambrano Rodríguez, all of them independent directors (as defined under the Mexican Securities Market Law). The Secretary of the Audit Committee is José González Ornelas, head of FEMSA's internal auditing area.

Evaluation and Compensation Committee.
The Evaluation and Compensation Committee, or Human Resources Committee, reviews and recommends the management compensation programs to ensure that they are aligned with shareholders' interests and corporate performance. The Committee is also responsible for identifying suitable director and senior management candidates and setting their compensation levels. It also develops evaluation objectives for the Chief Executive Officer and assesses his performance and remuneration in relation to these objectives. The members of the Evaluation and Compensation Committee are Daniel Servitje Montul, Gary Fayard and Ricardo González Sada. The Secretary of the Evaluation and Compensation Committee is Eulalio Cerda Delgadillo, head of Coca-Cola FEMSA's human resources department.

EXECUTIVE OFFICERS

Carlos Salazar Lomelín
Chief Executive Officer
4 Years as an Officer

Ernesto Torres Arriaga
Vice-President
11 Years as an Officer

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

Rafael Suárez Olaguibel
Commercial Planning and Strategic Development Officer
11 Years as an Officer

John Santa María Otazúa
Chief Operating Officer – Mexico
9 Years as an Officer

Hermilo Zuart Ruíz
Chief Operating Officer – Latin Centro
2 Years as an Officer

Ernesto Silva Almaguer
Chief Operating Officer – Mercosur
11 Years as an Officer

Alejandro Duncan Ancira
Technical Director
3 Years as an Officer

Eulalio Cerda Delgadillo
Human Resources Director
4 Years as an Officer

DIRECTORS

Directors Appointed by Series A Shareholders

Eugenio Garza Lagüera[1]
Honorary Chairman of the Board, Grupo Financiero BBVA Bancomer, S.A. de C.V. Chairman, Instituto Tecnologico de Estudios Superiores de Monterrey ("ITESM"), FEMSA and Grupo Industrial Emprex, S.A. de C.V. ("Emprex"), Regional Advisor of Banco de México and a member of the executive committee of the National Environment for Culture and the Art
11 Years as a Board Member

José Antonio Fernández Carbajal[1]
Chairman of the Board, Coca-Cola FEMSA Chairman of the Board and Chief Executive Officer, FEMSA
11 Years as a Board Member
Alternate: Alfredo Livas Cantú

Alfonso Garza Garza[1]
General Director of FEMSA Empaques, S.A. de C.V.
9 Years as a Board Member
Alternate: Mariana Garza Gonda

Carlos Salazar Lomelín[2]
Chief Executive Officer of KOF
4 Years as a Board Member
Alternate: Ricardo González Sada

Ricardo Guajardo Touché[2]
Chairman of the Board of Grupo Financiero BBVA Bancomer, S.A. de C.V.
11 Years as a Board Member
Alternate: Max Michel Suberville

Alfredo Martínez Urdal[2] †
Deputy Chief Executive Officer of FEMSA and Chairman of the board of FEMSA Cerveza
11 Years as a Board Member
Alternate: Bárbara Garza Gonda

Federico Reyes García[2]
Executive Vice President of Planning and Finance of FEMSA
11 Years as a Board Member
Alternate: Alejandro Bailleres Gual

Eduardo Padilla Silva[2]
Chief Executive Officer of FEMSA Comercio
8 Years as a Board Member
Alternate: Francisco José Calderón Rojas

Armando Garza Sada[3]
General Director of Versax, S.A. de C.V.
7 Years as a Board Member
Alternate: Francisco Garza Zambrano

Daniel Servitje Montul[2]
Chief Executive Officer of Grupo Industrial Bimbo, S.A. de C.V.
7 Years as a Board Member
Alternate: Guillermo Chávez Eckstein

Enrique Senior[3]
Investment banker at Allen & Company, Inc.
1 Year as a Board Member
Alternate: Herbert Allen III

José Luis Cutrale[1]
General Director of Sucocitrico Cutrale Ltda.
1 year as a Board Member
Alternate: José Luis Cutrale Jr.

Directors Appointed by Series D Shareholders

Gary Fayard[2]
Chief Financial Officer of The Coca-Cola Company
2 Years as a Board Member
Alternate: David Taggart

Irial Finan[2]
President Bottling Investments of The Coca-Cola Company
1 Year as a Board Member
Alternate: Mark Harden

Charles H. McTier[3]
President of the Robert W. Woodruff Foundation, Inc.
7 Years as a Board Member
Alternate: Dan Palumbo

Eva Garza Gonda de Fernández[1]
Founder and President of Alternativas Pacíficas, A.C.
3 Years as a Board Member
Alternate: Deval L. Patrick

Director Appointed by Series L Shareholders

Alexis Rovzar de la Torre[3]
Executive Partner at White & Case S.C.
11 Years as a Board Member
Alternate: Arturo Estrada Treanor

José Manuel Canal Hernando[3]
Independent Consultant
2 Years as a Board Member
Alternate: Helmut Paul

Francisco Zambrano Rodríguez[3]
Vice-President Desarrollo Inmobiliario y de Valores, S.A. de C.V.
2 Years as a Board Member
Alternate: Karl Frei

SECRETARY

Carlos Eduardo Aldrete Ancira
General Counsel, FEMSA and Coca-Cola FEMSA
11 Years as a Board Member
Alternate: David González Vessi

EXAMINERS

Examiner Appointed by Series A Shareholders

Ernesto González Dávila
Partner, Deloitte Touche Tohmatsu
2 Years as Examiner
Alternate: Ernesto Cruz Velásquez de León

Examiner Appointed by Series D Shareholders

Fausto Sandoval Amaya
Partner, Ernst & Young L.L.P.
11 Years as Examiner
Alternate: Humberto Ortíz Gutiérrez

Relation:
(1) Shareholder
(2) Related
(3) Independent

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:

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu
Paseo de la Reforma 505 piso 28
Col. Cuauhtémoc 06500, México, D.F.
México
Phone: (5255) 5080-6000

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

TRANSFER AGENT AND REGISTRAR
Bank of New York
101 Barclay Street 22W
New York, New York 10286
U.S.A.
Phone: (212) 815-2206

KOF
New York Stock Exchange
Quarterly ADR Information

US Dollars per ADR			2004
Quarter Ended	High	Low	Close
December 31	$ 23.83	$ 19.93	$ 23.76
September 30	22.61	19.48	19.48
June 30	24.57	20.41	22.19
March 31	25.03	21.03	24.09

US Dollars per ADR			2003
Quarter Ended	High	Low	Close
December 31	$ 21.97	$ 19.85	$ 21.24
September 30	22.81	20.59	21.20
June 30	23.03	17.39	21.50
March 31	19.30	16.64	17.17

KOF L
Mexican Stock Exchange
Quarterly Stock Information

Mexican Pesos per share			2004
Quarter Ended	High	Low	Close
December 31	Ps. 26.62	Ps. 22.41	Ps. 26.46
September 30	25.93	22.28	22.35
June 30	27.30	23.50	25.51
March 31	27.49	24.00	26.99

Mexican Pesos per share			2003
Quarter Ended	High	Low	Close
December 31	Ps. 24.60	Ps. 21.50	Ps. 24.00
September 30	24.50	21.18	23.00
June 30	24.39	18.80	22.50
March 31	20.90	18.30	18.62

Design: *Paragraphs Design, Chicago*   Printing: *Quantum Color Graphics, L.L.C.*   Illustration: *Juliette Borda*

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

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