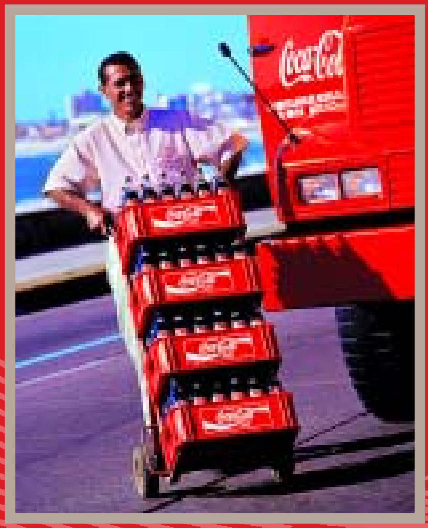
EMBOTELLADORAS ARCA

Building solid foundations

2002 Annual Report

Company profile

Arca is dedicated to the production, distribution and sale of beverages under **The Coca-Cola Company** brand, as well as proprietary and third party brands. Arca was formed in 2001 through the merger of three of the oldest bottlers in Mexico and is now the second-largest **Coca-Cola** bottler in the country. The company distributes its products in the northern region of Mexico, primarily in the states of Tamaulipas, Nuevo León, Coahuila, Chihuahua, Sonora, Sinaloa, Baja California and Baja California Sur. In order to supply its own packaging needs, Arca also produces plastic bottles, bottle caps, lids and plastic containers.



Our team, the portfolio of prestigious brands and products, our distribution force and financial stability, are the pillars of our strength. Here, Mr. Fernando Moreno Ibarra, from our sales department at Embotelladora del Pacífico, in Mazatlán, Sinaloa, delivers another order to one of our customers.

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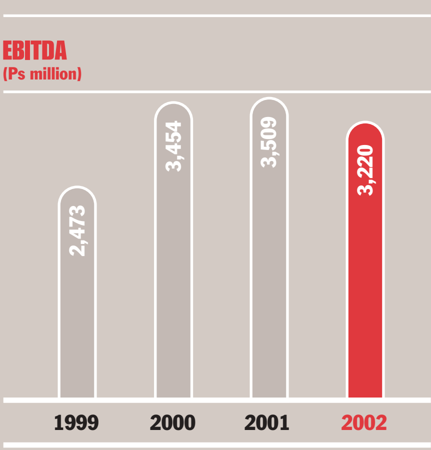
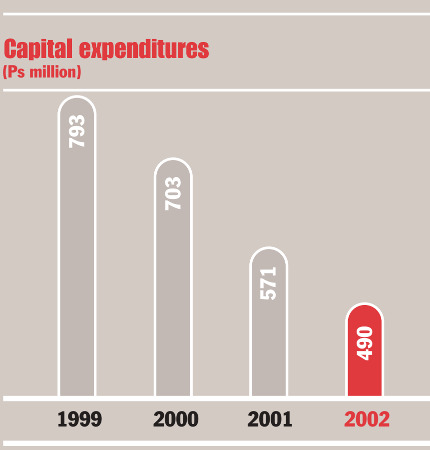
Financial highlights *

(In millions of Mexican pesos in Purchasing Power as of December 31, 2002)

	2002	2001	2000	1999
Sales volume (Million unit cases) [1]	410.3	406.3	426.0	420.0
Net sales	13,151	13,847	13,568	12,257
Gross margin	54.4 %	53.6 %	50.5 %	45.6 %
Operating profit [2]	2,451	2,785	2,767	1,807
EBITDA [3]	3,220	3,509	3,454	2,473
Earnings before income tax and employees' profit sharing	2,129	2,587	2,635	1,825
Net income	1,207	1,272	1,493	993
Total assets	13,047	13,008	12,717	12,107
Total debt	2,034	2,213	649	1,059
Stockholders' equity (majority interest)	8,427	7,827	9,096	8,352
Capital expenditures	490	571	703	793
Data per share [4]				
Net income	1.50	1.58	1.85	1.23
Book value	10.45	9.71	11.29	10.36





* 1999, 2000 and 2001 figures are pro-forma (not audited), for comparative purposes only. Calculated as if Embotelladoras Argos, S.A., Empresas El Carmen, S.A. de C.V. and Promotora Empresarial Arma, S.A. de C.V., had been part of Embotelladoras Arca, S.A. de C.V. since January 1, 1999, 2000 and 2001.

1 Includes soft drinks and purified water in personal formats.

2 Excludes non-recurring expenses for a total of Ps 139 million in 2002, and Ps 59 million in 2001.

3 Operating income plus depreciation and amortization of goodwill. Exludes non-recurring expenses for 2001 and 2002, mentioned in note 2.

4 Based on 806,019,659 shares outstanding .

Letter from the chairman

We'll provide a more solid competitive position.

To my Fellow Shareholders:

2002 was a year of transition in which we strengthened our organization and consolidated the merger that gave rise to Arca a little over a year ago. The actions we took throughout the year will provide a more solid competitive position and a fortified financial structure in the medium and long term.

One such action was the initiation of a plant consolidation program to rationalize production and optimize installed capacity. At the same time, we began to develop an integrated information system (SAP), that will give us better control of our processes and improve the information available for decision making.

In the marketing area, we adjusted the price points of some of our products to make them more competitive, and successfully launched new products in segments with considerable growth potential, such as powders, flavored milk and sports drinks. In addition, during 2002, our pre-sale system was implemented in specific areas of the Eastern Division, which will significantly enhance productivity and optimize distribution routes.

These initiatives reversed 2001's volume decline, allowing us to post a 1% growth in 2002, with volume rising from 406.3 million unit cases in 2001 to 410.3 million in 2002. However, the lack of recovery in the Mexican and U.S. markets slowed economic activity in almost all our territories. Consequently, the increase in sales volume, and our cost-reducing activities and operational improvements were not reflected in other financial indicators.

Net sales declined to 13,151 million pesos, 5.0% below the 13,847 million pesos posted in 2001. Operating income, excluding non-recurring expenses, fell 12.0%, from 2,785 million pesos in 2001 to 2,451 million pesos in 2002. EBITDA, excluding non-recurring expenses, was 3,220 million pesos, 8.2% below the 3,509 million pesos reported in 2001. Net income for 2002 was 1,207 million pesos, or 1.50 pesos per share, a decline of 5.1% compared with 2001.

A very important event for the institutionalization and growth prospects of our company was the appointment of Francisco Garza Egloff as Chief Executive Officer at the end of the year. Mr. Garza's outstanding track record of more than 25 years at Alfa (one of Mexico's largest industrial conglomerates), and his experience in the optimization of production and distribution processes, the launch of new products and the management of large-scale organizations will be key factors in Arca's future success as a company.

Have we reached our goal? Not yet, but the results achieved and synergies estimated for the coming years indicate that we are on the right track to capitalize on the merger that created this great company.

The ongoing consolidation of operations, rationalization of assets and investments, cost reduction and progress with projects to improve distribution and sales will be some of the main focuses of our efforts in 2003. These initiatives will yield significant savings and increase competitiveness.

Furthermore, we will continue to promote the Arca culture – based on integrity, a spirit of service and social responsibility – that we inherited from the companies that were united in the merger, a culture that prizes innovation and reinforces our commitment to ongoing efficiency improvement.

Even after such a short time since the union of companies to form Arca, we can clearly see the benefits of the merger and the proactive participation, integrity and financial discipline of each of the families which comprise it.

I would like to thank you – our shareholders, personnel, customers, consumers and suppliers – for your trust in our Company in 2002. I hope that you will continue to give us your support in the construction of an organization that we are all proud to be a part of.

Sincerely,

Miguel A. Fernández Iturriza
Chairman of the Board of Directors

Letter from the CEO

Strengthening our position as one of Mexico's most efficient and profitable bottlers.

Dear Shareholders:

I am honored to address you for the first time and to thank you for the trust you have placed in me to lead this great company.

After only a few months as part of the Arca family, I can clearly see the immediate benefits of the recent merger and the potential of the Company and its people to strengthen its position as one of Mexico's most efficient and profitable bottlers. Arca's new scale and solid financial position, leading products and brands, and extensive distribution network, combined with the experience of its employees, executives and directors, have created an ideal platform to capitalize on new opportunities for creating value and effectively facing the challenges of increased competition in the beverage sector.

In our efforts to achieve these objectives, we have implemented various marketing strategies to enhance sales, introducing new products and presentations, and penetrating new categories with attractive economic potential. These initiatives, together with additional marketing support at points of sale, will allow us to reinforce our competitive position, especially in the segments and sales channels that offer the highest growth potential.

Additionally, in order to increase sales volumes and maximize the profitability of our product portfolio, we are selectively adjusting the price points of some presentations in order to improve the price-value ratio for our consumers.

In March 2003, we began a program to leverage synergies, reduce costs and increase our standards of quality and service. The program establishes four specific action areas:

- ***Firstly, we know that to reach these goals we need the support of an administrative structure that is lean and efficient, close to the operations and focused on sustained value creation, so we will take concrete actions to centralize our corporate services and optimize our organizational structure.***

- ***Secondly, we will complement these measures with a rationalization of installed capacity, closing bottling lines at several plants and using such plants only as distribution centers; the production of these facilities will be transferred to neighboring plants that can absorb the volume with a minimum investment. At the same time, we will relocate various distribution centers, merging smaller ones into larger ones in nearby areas, thereby reducing costs and raising the quality of our service.***

- ***Thirdly, we will optimize our distribution force by introducing the pre-sale system in our different territories on the Tamaulipas-U.S. border and in Monterrey. This project should significantly increase route productivity and reduce distribution costs and investments, allowing us to introduce new products and support the development of sales channels by increasing marketing efficiency.***

- ***Finally, in parallel with these actions, we will focus on continuing to strengthen our purchasing capacity by centralizing procurement in order to obtain products and services under more competitive terms and prices.***

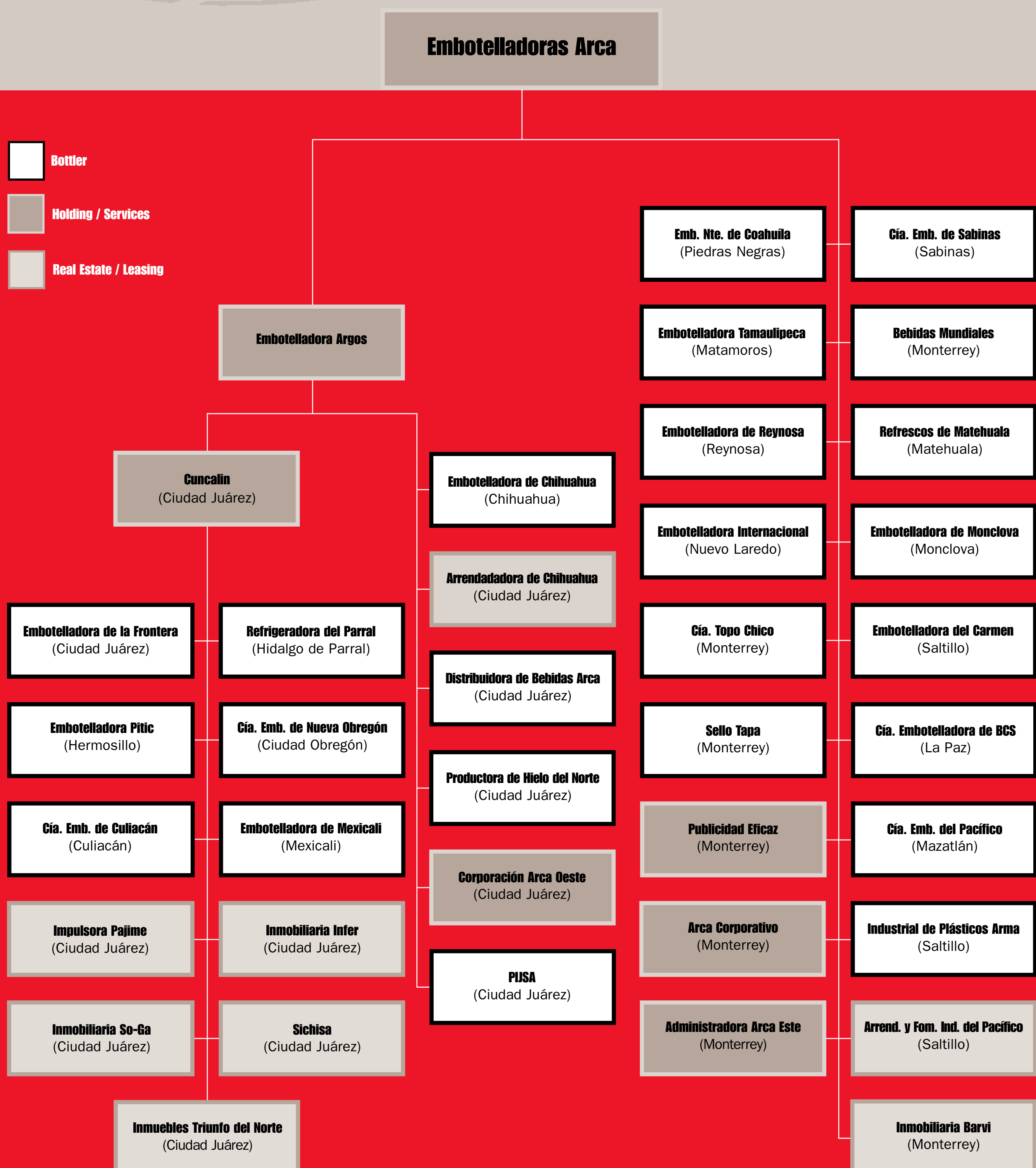
We foresee these initiatives producing significant savings and strengthening our competitive and financial positions in the medium and long term.

For Arca, now is the time to focus on the future, a future that we will build with creativity and hard work. We know that we have what is needed to reach our objectives: high-quality brands, innovative products and services, an extensive distribution network, competitive quality and costs, a solid capital structure and people with vast industry experience who are committed to excellence. These characteristics will become the foundation for forging new paths and capitalizing on growth opportunities, as well as for value creation for our consumers, customers, personnel and shareholders.

Thank you for your support,

Francisco Garza Egloff
Chief Executive Officer

Corporate structure



Organization chart

Chief Executive Officer

Francisco Garza Egloff 48

He has been the Company's Chief Executive Officer since January 2003. During the previous 25 years, he held various positions at Grupo Alfa including Chief Executive Officer of Sigma Alimentos, S.A. de C.V., Akra, Petrocel-Temex and Polioles. Mr. Garza holds a degree in Chemical Engineering from the ITESM and has taken several post-graduate courses at IPADE.

Director of Human Resources

Salvador Oropeza Cuevas 56

He has been Arca's Director of Human Resources since March of 2003. He served as Co-Chief Operating Officer since 2001. He was CEO of Argos as well as regional director of Banco Mexicano Somex and secretary of the board of directors of Sistema Axis, S.A. de C.V. Mr. Oropeza holds an Accounting degree and an MBA from UACH.

Chief Marketing Officer

José Luis González García 51

He has been Chief Marketing Officer of the Company since 1991 and has held various other positions since 1987, including marketing manager of Bebidas Mundiales. Previously he was vice director of operations at TCCEC. Mr. González has a degree in Economics from the Universidad Autónoma de Nuevo León and post graduate studies from the IPADE.

Chief Operating Officer – Western Division

Leonel Cruz Martínez 50

He has been COO of the Western Division since 2001. Mr. Cruz joined Argos in 1988 as director of marketing and was named general manager of Argos' bottling plants in Obregón and Mexicali. In 1998 he was named COO of Argos, and held this position until the merger of Arca, Argos and Arma. Mr. Cruz has a Bachelor's in Business Administration and a Master's in Agricultural Economics from the Colegio de Postgraduados de Chapingo.

Chief Operating Officer – Eastern Division

René Flores Ramírez 48

He has been Director of Operations of the Eastern Division since 2002. Previously, he held various positions since 1980, including general manager of Bebidas Mundiales S.A. de C.V. and Embotelladora Internacional. He has a Mechanical Engineering degree and an MBA from the Universidad Autónoma de Nuevo León.

Chief Technology Officer

Enrique Camacho Camacho 53

He has been the Company's Chief Technology Officer since 1992 and held various other positions since 1980. Previously, he held positions at Coca-Cola de México from 1972 to 1980. He has a mechanical engineering degree from the Instituto Politécnico Nacional, a Master's in Business Administration from the Universidad Autónoma de Nuevo León and a postgraduate degree from the IPADE.

Director of Corporate Planning

Arturo Gutiérrez Hernández 37

He is Arca's Director of Corporate Planning and has been the Secretary of Arca's Board of Directors since 2001. Before joining the Company, he was at Alfa Corporativo and was secretary of the boards of directors of several Alfa companies. Mr. Gutiérrez has a Law degree from the Escuela Libre de Derecho and a Master's in Law/J.D. from Harvard University.

Chief Financial and Administrative Officer

Adrián Wong Boren 52

He has been Chief Financial and Administrative Officer of the Company since 1994. Prior to that, Mr. Wong was a full-time professor at San Diego State University, ITESM, the University of California and Virginia Tech. Mr. Wong holds an Accounting degree from Universidad de Coahuila, an M.B.A. from Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C., and a Ph.D. from Virginia Tech.

Building efficiency

We are an organization that learns and changes continuously because of our commitment to developing our key capabilities and better serving our customer base.

We began the consolidation of our bottling plants and distribution centers, for a more efficient operation.

Coca-Cola
1152

Throughout 2002, we focused mainly on strengthening and unifying our operations, **and made significant progress in integrating production facilities, optimizing distribution centers, centralizing corporate services, procuring raw materials and contracting services.** We also initiated the implementation of a new, integrated information system.

To reach these objectives, we carried out a series of activities that are detailed below:

Consolidation of operations

The program for rationalizing our production and distribution centers is a priority in Arca's business strategy and is consistent with our growth and profitability objectives.

The proximity of a number of our territories and the flexibility of our production capacity offer a unique optimization opportunity. In 2002, we began to implement a plant consolidation plan, with the closing of bottling lines at the Reynosa, Tamaulipas plant. The facility's production was transferred to Matamoros, and it now operates exclusively as a distribution center.

This project marked the beginning of a plan which we foresee will close production lines at up to five production facilities over a period of 12 to 24 months. The plants selected to cease production will become solely distribution centers, and their production will be relocated to other plants that can absorb the volume with minimum investment requirements.

At the same time, we will consolidate a number of small distribution centers into larger ones located nearby, thus reducing costs and enhancing the quality of our service.

Production specialization and strategic procurement

The integration of Arca allows significant benefits from the specialization of production at certain plants, allowing us to supply a number of products more efficiently to different regions across our territories.

Arca's operating asset base creates greater flexibility to reorganize production and transportation equipment, allowing us to relocate such assets to territories where their use can be optimized, thereby reducing future investment needs.

Additionally, the new scale of the Company's operations allows us to obtain more competitive prices and terms for purchasing machinery, equipment, raw materials and other inputs, as well as for service contracting.

Operating highlights

	2002	2001
Plants[1]	20	21
Production Lines	57	59
Distribution Centers[2]	78	79
Routes	1,943	2,026
Annual installed capacity	1,213	1,117
Capacity utilization rate (%)	36.0%	35.3%

1 Excludes one jug water production plant.
2 Excludes temporary warehouses, reload centers and plants with no distribution routes.

Project Integr-A unifies all work systems under one corporate culture oriented towards contiuous improvement.

Developing a new Integrated Information System

Project Integr-A

Having the right information at the right time is vital for implementing our strategies and reaching our established objectives.

In order to set up a solid platform for creating value, in 2002, we began a project we call Integr-A, which will standardize our management and information systems in response to areas of opportunity that resulted from the merger of three different working cultures. Integr-A will transform and unify our companies into an organization with a single work culture, operating with standardized, effective processes and information systems through the implementation of SAP technology. This standardization of processes and systems through the use of SAP will support our operations and administration with leading-edge technology, making them simple and effective to ensure that our customers' needs are satisfied.

Additionally, Integr-A will be a key instrument for periodically monitoring the performance of Arca's different business areas and will help organize strategic information to enhance the decision-making process.

The installation of our new **Integrated Information System**, is an essential tool for **improving the decision-making process** in the various business areas.

Ciel
Ciel
Ciel
Coca-Cola
Ciel
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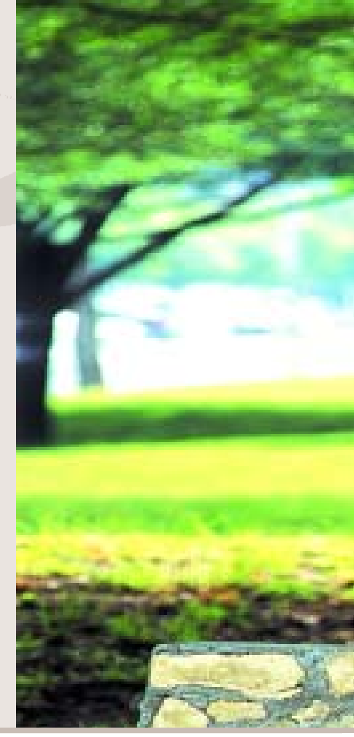
Coca-Cola
Fanta
Fanta

Building growth

Arca makes an ongoing effort to maintain low cost, flexible and efficient sales and distribution operations. We also have a dynamic and profitable portfolio of brands and products that responds to changing market needs in today's increasingly competitive environment.

A key strategy for our productivity improvement is the expansion of the pre-sale system to all Arca teritories.



The complementary character of our products and brands, the sharing of best practices, and the economies of scale resulting from **the creation of Arca, strengthen the Company's position and create areas of opportunity** to launch new products, optimize distribution routes and channels, and adjust prices for our different markets. **The territories in which we operate are all very loyal to our brands and cover a diversity of regions, allowing us to balance our portfolio of businesses.**

Optimizing our portfolio of products and brands

Price alignment

Operating with a competitive price structure that is differentiated by sales channel and according to product attributes allows us to maximize the value of our portfolio. To achieve this, we are selectively aligning the price points of certain presentations in order to offer the right product and format in each individual channel at a the right price.

Seeking new presentations and categories

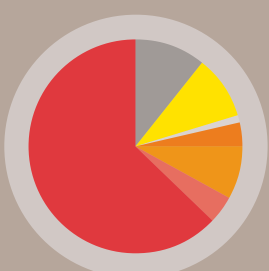
Without neglecting the development of our core products, we are currently building the infrastructure and capabilities that will enable us to progress from being a carbonated soft-drink company to being a true beverage company. This initiative will allow us to optimize the potential of our distribution network, offer a new range of products, and anticipate the trends and dynamics of the market.

Working closely with *The Coca-Cola Company* and leveraging our experience and sales force, in 2002, we successfully entered new market segments, such as powders, flavored milk with the launch of *Mickey Aventuras* for children, and sports drinks with the introduction of *Powerade*. We also launched *Beat* for the younger market segment.

New presentations, such as *Coca-Cola* and *Coca-Cola Light* in 2.5-lt. non-returnable bottles and 1-lt. *Ciel* water, were launched during the year. The latter product was introduced to support the growth trend of water products in our territories.

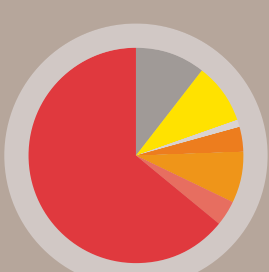
To meet the needs of our younger consumers, **we successfully launched a new soft drink named Beat**, among other products.

Sales by distribution channel 2002



62.8 %	Mom and Pop stores
4.2 %	Supermarkets
8.0 %	Convenience Stores
3.6 %	Workplaces
1.1 %	Schools
9.6 %	Restaurants
10.7 %	Others

Sales by distribution channel 2001



64.0%	Mom and Pop stores
3.8%	Supermarkets
7.7%	Convenience Stores
3.7 %	Workplaces
1.1 %	Schools
9.1 %	Restaurants
10.5 %	Others

Attending to and developing various points of sale enables us to increase the presence of our products.

Expanding and maximizing our distribution network's potential

In order to enhance the productivity of our sales and distribution system, we are making ongoing efforts to increase the market share of our products at every point of sale where we currently operate. To achieve this, we have come closer to our consumers and customers by offering a range of products to satisfy their particular tastes and preferences.

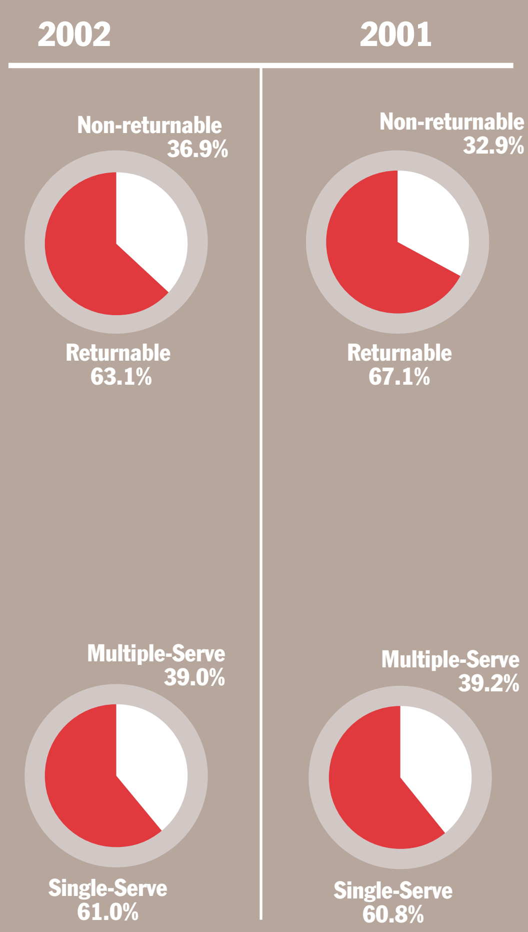
Simultaneously, we are expanding our distribution network, activating new points of sale that offer attractive growth opportunities, while reinforcing existing ones. We have also implemented a program for replacing and installing refrigerators at our traditional sales channels, giving our products greater visibility and enhanced storage capacity.

We realize that institutional sales channels, such as supermarkets and convenience stores, represent an increasingly attractive option for the consumer, therefore we are developing new marketing strategies aimed at improving results in these channels. For example, we are increasing the coverage of marketing agents, and introducing a variable compensation scheme that creates incentives to maximize results.

Relevant market information

	2002	2001
Population (millions)	14.6	14.4
Clients	191,465	186,615
Coolers	160,618	144,824
Vending	6,417	6,384
Post-Mix	4,523	4,991

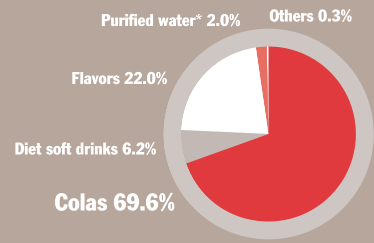
The reach of our distribution network enables us to better serve the consumers and clients in all of the regions in which we are present.



Sales by segment

*Does not include water in jugs.

2002



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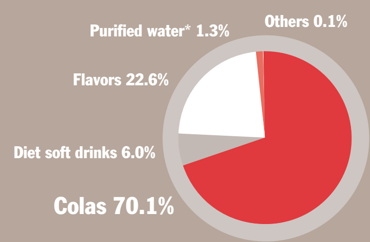
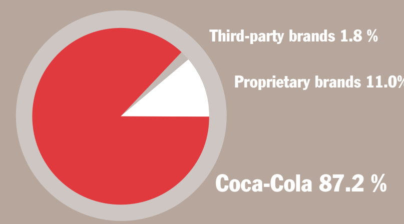


Sales by brand

2002



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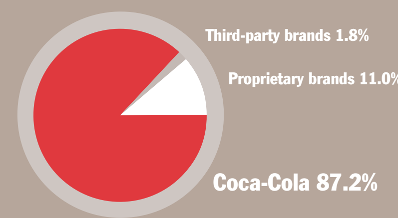
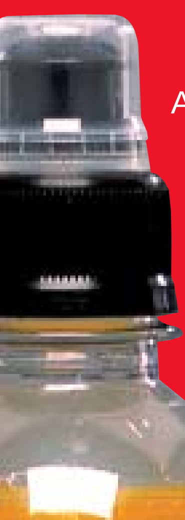


At the begining of 2003, we introduced new products like ***Nestea and Coca-Cola*** 8 oz. non-returnable glass presentation.



In 2002 we succesfully entered new presentations and market segments.

Expanding our pre-sale system

Because of the demands of an increasingly fragmented market and the diversity of Arca's territories, we must process a growing amount of information in a timely manner. We also see a need for creating sales and logistics systems that are increasingly efficient.

Our pre-sale system has proven to be one of our most important initiatives for achieving this objective. It allows us to identify the needs of our customers in advance, clearly separating marketing from delivery activities. As a result, we are able to optimize sales and distribution efforts by reducing routes, thus improving productivity and service quality.

In 2002, a fundamental part of our dual cost-reducing and sales-enhancing strategy was the broadening of the pre-sale system in several territories on the Tamaulipas-U.S. border, which has increased our productivity per route.

Moreover, we have established a specialized pre-sale system for the introduction of new product categories that enhances our flexibility and ability to exploit new market niches.

Building commitments

The ultimate objective of all business activities **should be to increase humanity's well being through the legitimate creation of wealth,** jobs and opportunities for individual and community development in a safe and environmentally friendly setting.

Arca's people are our main asset and a fundamental element in the achievement of our established objectives.

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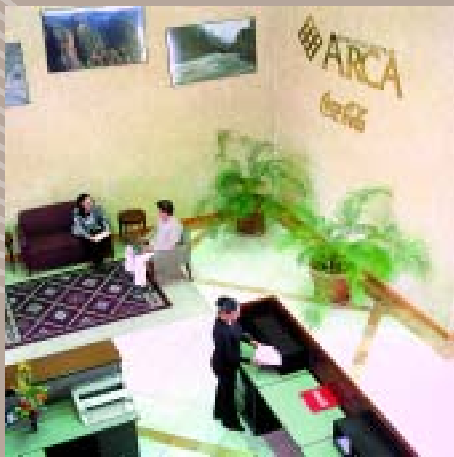

The experiences and best practices of our company contribute to the formation of the Arca culture.

The individual entities that make up the Arca family are all committed **to combining the sustained development of their businesses with a humanistic spirit and sense of social responsibility in their day-to-day activities.** Helping our people grow, **and caring for the community and the environment** are not passing whims for Arca, but a fundamental part of the Company's values and long-term vision.

Human resources

At Arca, all improvement processes are based on the development of our people. They are our main asset and a fundamental element in the achievement of our established objectives; our people are, and will continue to be, one of our key competitive advantages. Consequently, throughout the coming year, we will focus on establishing a human resources program that will provide incentives to motivate our employees to develop their full potential. The program will create a healthier and more satisfying work environment for the Arca family.

We are reinforcing our corporate culture, a culture based on accountability, productivity and competitiveness. To accomplish this, we are constructing a working platform that will promote the exchange and integration of best practices in order to create a unique culture that is enriched by the success factors and experiences of every part of our organization. To achieve this, we need the support of an administrative structure that is lean and efficient, close to the operations and focused on sustained value creation, so we will take concrete actions to centralize our corporate services and optimize our organizational structure.

Community support

For Arca, the essence of social responsibility lies in acting with integrity in all we do and contributing proactively to the well being of our surrounding communities.

In 2002, we reaffirmed this commitment by setting aside a portion of our sales for community assistance programs, giving support to schools, community projects and a range of charity organizations.

We've established the structure for a **competitive capability development program of our personnel,** the Company's most important asset.

Arca's product distribution network. We do not simply deliver goods and services, but try to help those who are part of our value chain by offering training programs and courses that seek to achieve mutual success. This contributes to the building of solid, long-lasting relationships. We understand that our products are present in most of the homes across the territories that Arca serves and are committed to actively helping these communities capitalize on new and better opportunities.

Environmental protection

During the last several years, environmental protection and the efficient use of natural resources have become key factors in the development of successful business activities. At Arca, we share this vision, and voluntarily and proactively participate in caring for the environment.

Arca is a founding partner and active member of Ecology and Business Commitment (ECOCE for its initials in Spanish), an organization made up of companies that are committed to providing long-term solutions to the problem of collecting and recycling non-returnable plastic containers. In 2003, we installed a collection center in Monterrey, Nuevo León, as a first step in the recycling of such waste in our region.

Moreover, throughout 2002, we made progress with the processes involved in obtaining "Clean Industry" certification from the Mexican Federal Environmental Protection Agency for all our operating facilities. Currently, 12 of our plants have this certification, an important achievement in our search for environmental excellence.

During the year, we increased the efficiency of our wastewater treatment and recycling processes, and of the recycling of classified industrial waste. Another significant contribution to environmental protection in 2002 was our making sure that all the refrigerators at our plants and different points of sale operate with ozone friendly refrigerant gas.

Arca is fully committed to supporting the growth of its personnel and local communities, and to operating without endangering the environment. These values are as important as increasing shareholder value and totally **satisfying our customers and consumers, and will be the cornerstone of Arca's consolidation as a leading and ethical company.**

An integral part of our philosophy on environmental protection is the treatment and recycling of residual water.

Board of Directors

Miguel Antonio Fernández Iturriza, Chairman of the Board, 59 P

He has been Chairman of the Board of Directors of Arca since 2001. Prior to Arca's acquisition of Argos, he various executive-level positions at Argos, including Chief Executive Officer from 1981 to 1998 and Chairman of the Board from 1998 to 2001. He is also Chairman of the Board of Directors of Sistema Axis, S.A. de C.V. Mr. Fernández has a degree in Industrial Engineering from Georgia Tech.

Javier L. Barragán Villarreal, Honorary Chairman, 78

Member of the consulting board of BBVA Bancomer, S.A., as well as board member of FEMSA, Cruz Roja de Monterrey and Promoción Rural, A.C. He is a surgeon graduated from the Universidad Nacional Autónoma de México.

Emilio Antonio Arizpe y de la Maza, Vice Chairman, 85 P

He has been Vice Chairman of Arca's Board of Directors since 2001. He is also the president of Fábrica Textil El Carmen, S.A. de C.V., president of Hotel Camino Real Saltillo, S.A. de C.V., chairman of the regional board of Banco Internacional, S.A., chairman of the board of trustees of the Universidad Autónoma del Noreste and honorary president of the Red Cross of Saltillo. In addition, he is a member of the board of the Asociación de Embotelladoras Mexicanas de *Coca-Cola* and a local board member of Seguros Comercial América, S.A. Previously, he was chairman of the board of directors of Financiera de Saltillo, S.A. de C.V. and Banco de Coahuila, S.A., chairman of the regional board of Banca Serfin, S.A. and Banco del Centro, S.A., member of the board of Banco Internacional, S.A. and vice president of Banca Inverlat, S.A. in Saltillo. Mr. Arizpe has a Textile Engineering degree from the Universidad Estatal de Carolina del Norte.

Eduardo Ángel Elizondo Barragán, Vice Chairman, 56 C

He has been Vice Chairman of the Company's Board of Directors since 1986. He is also the chairman and chief executive officer of Criotec, S.A. de C.V., chief executive officer of Criotec, S.A. de C.V., as well as Maquiladora Gre, and board member of Grupo Lamosa, S.A. de C.V., Grupo Dataflux, S.A. de C.V. and Afore Banorte, S.A. Previously, he was a member of the board of Grupo Protexa, S.A. (Tourism and Real Estate Division), Solventes y Productos Químicos, S.A. de C.V., Hules y Plásticos Monterrey, S.A. de C.V., Nacional de Acero, S.A. de C.V. and Grupo Financiero Margen, S.A. de C.V., and regional board member of Multibanco Mercantil de México, S.A. Mr. Elizondo has a degree in Economics and an MBA from the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.

Luis Lauro González Barragán, Vice Chairman, 49 P

He has been Vice Chairman of Arca's Board of Directors since 2001 and a member of the board since 1986. He is also a member of the board of Index, S.A. de C.V. and Berel, S.A. de C.V., and a member of the board of trustees of the Universidad de Monterrey. He is also the administrative director and owner of San Nicolás Automotriz, S.A. de C.V. Previously, he was chief executive officer of Procor and board member of CBI Seguros, S.A.. Mr. González has an engineering degree from the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C., and an MBA from Purdue University.

Guillermo Alvelais Fernández, Director, 57 C

He has been a memeber of Arca's Board of Directors since 2001. He is also a board member at Sistema Axis, S.A., where he was chief executive officer until September of 2001. In the past, Mr. Alvelais has been a member of the board of directors of Argos. Mr. Alvelais has a Bachelor's degree in Sciences from Georgia Tech University and a Master's degree from Cornell University.

Miguel Arizpe Jiménez, Director, 54 C

He has been a member of Arca's Board since 2001. He is also a member of the board at Banco Internacional, S.A., Banco Mercantil del Norte, S.A., Grupo Financiero Banamex, S.A. de C.V., Grupo Textil El Carmen, S.A. de C.V., Hielo de Saltillo, S.A. de C.V., Inversiones del Norte, S.A. de C.V. and member of the board of trustees of the Banco de Alimentos. He is currently a Congressman. Previously he was chairman of the board of Simas de Saltillo, S.A. de C.V. Mr. Arizpe holds a degree in Industrial Relations from the Universidad Iberoamericana, A.C.

José Joaquín Arizpe y de la Maza, Director, 82 P

He has been a member of Arca's Board since 2001. He is also a member of the board of Hotel Camino Real Saltillo, S.A. de C.V., Desarrollo Rural, A.C., Casa Hogar Bilingüe, A.C., Grupo Textil El Carmen, S.A. de C.V., Hielo de Saltillo, S.A. de C.V., Inversiones del Norte and Compañía Hotelera del Norte, S.A. In addition, he is a regional board member of BBVA Bancomer, S.A., Banco Internacional, S.A. and Teléfonos de México, S.A. de C.V. In the past, Mr. Arizpe was Vice Chairman and member of the board of Arma. Mr. Arizpe is a CPA and holds an MBA from the Instituto Panamericano de Alta Dirección de Empresas, A.C.

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Manuel L. Barragán Morales, Director, 52 C

He has been a member of the Company's Board since 1999. He is also a member of the board of Banco Regional de Monterrey, S.A. and chairman of the board of Index, S.A. de C.V. In the past, Mr. Barragán has been an alternate board member at Procor, and Banco Regional de Monterrey, S.A. and was a member of the board of Papas y Fritos Monterrey, S.A. de C.V. Mr. Barragán has a degree in Business Administration from the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.

Eduardo J. Barragán Villarreal, Director, 67

He has been a member of the Company's Board since 1980. Previously, he was chief technology officer and plant manager at Bebidas Mundiales, S.A. and a member of the board of Promoción Rural, A.C. and Arte, A.C., as well as chairman of the board of trustees of Pro-Cultura de Monterrey, A.C., the Fideicomiso de Vida Silvestre de Nuevo León and Impulsora de Eventos Culturales, S.A. de C.V. Mr. Barragán has a degree in Architecture from the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. and various post graduate studies from the Instituto Panamericano de Alta Dirección de Empresas, A.C.

Fernando Barragán Villarreal, Director, 72 P

He has been a member of the Company's Board since 1980. In the past, Mr. Barragán was chief executive officer, administrative director and alternate board member of Procor. He was also a member of the board of Estructuras de Acero, S.A. and Financiera General de Monterrey, S.A. Mr. Barragán has held various positions at Bebidas Mundiales, S.A., including director of accounting. Mr. Barragán has an Engineering degree from the Tecnológico y de Estudios Superiores de Monterrey, A.C.

Alfonso J. Barragán Treviño, Director, 45 C

He has been a member of Arca's Board since 2002. He is also chairman of the board of directors of Eon Corporation and Eon México, S.A. de C.V., board member of Index, S.A. de C.V., chairman of the board of Movimiento de Promoción Rural, A.C., and board member of the Fundación Mexicana para el Desarrollo Rural, A.C. Previously, he was a board member of Procor for many years. Mr. Barragán holds a Bachelor's and Master's in Business Administration from the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C., and has various post graduate studies at the Instituto Panamericano de Alta Dirección de Empresas, A.C.

Rafael Garza-Castillón Vallina, Director, 46 P

He has been a member of Arca's Board since 2001. He is also a member of the board and advisor to Distribuidores Generales, S.A. de C.V., Comercializadora de Arrendamientos, S.A. de C.V., Fomento Urbano de Chihuahua, S.A. de C.V. and Comercial del Noroeste, S.A. de C.V. Mr. Garza-Castillón was also a member of the board of Impulsora de Bienes Raices, S.A. de C.V., Inmobiliaria Aldama, S.A. de C.V., Asturias Atlántica, S.A. de C.V. and Distribuidores Generales, S.A. de C.V. Previously he has held various positions such as assistant to the senior management of Embotelladora de la Frontera, S.A. and de Refrigeradora de Parral, S.A. de C.V., as well as administrative director of Hielería Juárez, S.A. de C.V. and member of the board of Sistemas Argos, S.A. and Sistema Axis, S.A. Mr. Garza-Castillón has a degree in economics from the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.

Roberto Garza Velázquez, Director, 46 P

He has been a member of the Company's board since 1989. He is also a board member and administrative director at Industria Carrocera San Roberto, S.A. de C.V. and Index, S.A. de C.V. Previously he was a dependent board member and alternate at Procor and Papas y Fritos Monterrey, S.A. de C.V. Mr. Garza has a Public Accounting degree from the Universidad Regiomontana and various post graduate studies from the Instituto Panamericano de Alta Dirección de Empresas, A.C.

Jorge Humberto Santos Reyna, Director, 28 P

He has been a member of Arca's Board since 2001. He is also administrative director of Tracto Sistemas del Norte, S.A. de C.V. and president of Impulsora Comercial San Barr, S.A. de C.V. Previously he was board member of Caintra y Empresas San Barr, S.A. de C.V., and alternate member of the boards of Procor and Index, S.A. de C.V. Mr. Santos has a public accounting degree from the Universidad de Monterrey.

Marcela Villareal Fernández, Director, 55 C

He has been a member of Arca's Board since 2001. She is also a board member of Axis, S.A., Fundación Mascareñas, A.C. and Fundación Rosario Campos, A.C. Previously she was president of the El Paso Museum of Arts. Ms. Villareal holds a Bachelor's of Science degree and a masters in humanities from Tulane University.

Juan B. Maldonado Quiroga, Independent Director, 46 A

He has been an independent board member since 2001. Mr. Maldonado is the executive president of Copamex and member of the board of Banco Nacional de México, S.A., Fundación de Beneficencia Maldonado Quiroga, A.B.P., Fomento Moral y Educativo, A.C. and Auto Club Valle, A.C. Previously he was a member of the board of Tubacero, S.A. de C.V., Probursa, S.A. de C.V., Banca Confia, S.A., Casa de Bolsa Interacciones, S.A. de C.V., CAINTRA, CANACO amd CCINLAC. Mr. Maldonado has a Bachelor's in Business Administration from the Universidad Nacional Autónoma de México.

Ernesto López de Nigris, Independent Director, 42

He has been an independent board member since 2001. Mr. López is also vice president of operations of Grupo Industrial Saltillo and vice chairman of the board at COPARMEX, CANACINTRA and Desarrollo Rural, A.C. Mr. López holds an engineering degree from the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. and an MBA from the University of Texas.

Fernando Olvera Escalona, Independent Director, 70 A

He has been an independent board member since 2001. Mr. Olvera is a member of the audit committee at Grupo Financiero Banorte, S.A. de C.V., regulatory controller of Sólida Banorte Generali, S.A. de C.V., active partner at the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C., the Instituto de Contadores Públicos de Nuevo León and the Instituto Mexicano de Ejecutivos de Finanzas, as well as president of Promocapital, S.C. and vice chairman of the board of Prodensa, S.A. de C.V. Mr. Olvera has a degree in Public Accounting as well as a Master's and Doctorate in Administrative Sciences from the Instituto Politécnico Nacional.

José Otaduy Aranzadi, Independent Director, 73 P

He has been an independent board member since 2001. He is also the director of the masters program in international management at the Instituto Tecnológico Autónomo de México, A.C., and a specialist in statistical sampling for the Unión Panamericana de la Organización de Estados Americanos in Washington, D.C. Previously he was chief executive officer of *Coca-Cola* de México and board member of Grupo Quan, S.A. de C.V. Mr. Otaduy has a degree in Statistical Mathematics from the Universidad Nacional del Litoral, in Argentina, and an MBA from Columbia University.

Ulrich Fiehn Bukenhofer, Independent Director, 57 A

He has been an independent board member since 2002. He is also chairman of the board of Grupo Proagro, S.A. de C.V. and member of the board of Acciones y Valores de México, S.A. de C.V. Previously he was member of the board of Grupo Financiero Banamex Accival, S.A., Banco Nacional de México S.A., Bolsa Mexicana de Valores, S.D. Indeval, S.A. de C.V., Asociación Mexicana de Intermediarios Bursátiles, Seguros Banamex Aegon, S.A., Grupo Industrial Durango, S.A., John Deere, S.A. de C.V., Banco Mercantil del Norte, S.A. and Internacional de Cerámica, S.A. de C.V., as well as president of the Instituto Mexicano de Ejecutivos de Finanzas (Monterrey) and the Asociación Mexicana de Casas de Bolsas in Monterrey. He was also chief executive officer of Acciones y Valores de México, S.A. de C.V. Mr. Fiehn has a degree in Chemical Engineering and an MBA from the Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.

Arturo Gutiérrez Hernández, Secretary, 37

Director of Corporate Planning and Secretary of the Board of Arca since 2001. Prior to joining the Company, he was at Alfa Corporativo and was secretary of the boards of directors at several Alfa companies. Mr. Gutiérrez holds a law degree from the Escuela Libre de Derecho and a masters in law/J.D. from Harvard University.

Carlos Arreola Enríquez, Examiner, 46

He has been Arca's Examiner since 2002. Mr. Arreola is a CPA and partner at PWC in Mexico. He is also the partner responsible for PricewaterhouseCoopers' offices in Monterrey. Previously he was in charge of external auditing for publicly traded industrial companies in Mexico and abroad and worked for two years at the PricewaterhouseCoopers offices in San José, California, where he was examiner for several companies. Mr. Arreola has a Public Accounting degree from the Universidad Autónoma de Nuevo León.

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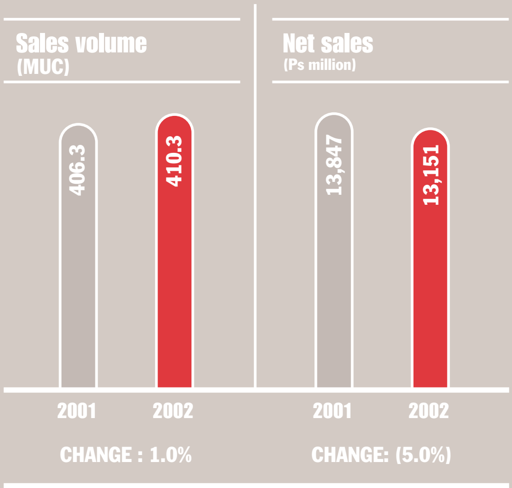
Management Discussion and Analysis of Financial Results

Dear shareholders:

Due to the nature of Embotelladoras Arca, S.A. de C.V.'s creation in 2001, the audited income statement for 2001 includes twelve months of results for Proyección Corporativa, S.A. de C.V. (Procor), five months for Empresas El Carmen, S.A. de C.V. (Arma) and Promotora Empresarial Arma, S.A. de C.V. (Premarsa), and one month for Embotelladoras Argos, S.A. (Argos).

However, to make the analysis of this section clearer and for purposes of comparison only, we have included pro-forma Income Statements for 1999, 2000 and 2001, prepared as if Argos, Arma and Premarsa had been part of Arca as of January 1, 1999.

Consequently, the analysis presented below refers to the pro-forma results for 2001 and the audited financial statements for 2002. All figures in this section are expressed in constant Mexican pesos with purchasing power as of December 31, 2002.



Sales Performance

Despite an unfavorable economic environment in 2002, sales volume was 1% above that of 2001. To strengthen Arca's competitive platform, during the year initiatives were carried out which will continue to improve the Company's competitive position in the future.

The price points of a number of products were adjusted during the year to make them more competitive: the price of canned products was reduced from Ps 5 to Ps 4 in most of the territories in northeastern Mexico; and the price of non-returnable 2-lt. presentations of *Coca-Cola* and proprietary brand products were reduced from Ps 15 to Ps 14 in Monterrey, and from Ps 14 to Ps 13 in the Tamaulipas border regions. During 2002, the *tapipesos* promotion was launched for certain presentations of all our brands for a limited period of time.

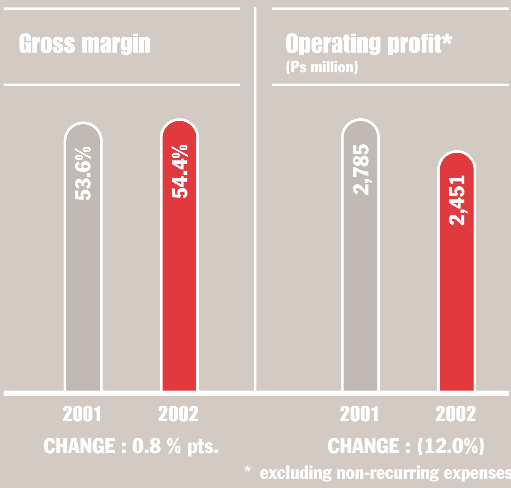
A series of other marketing activities were carried out simultaneously, including the introduction of new packaging and presentations. New packaging for 2.5-lt. NR *Coca-Cola* and *Coca-Cola Light* was launched in several cities, as well as a new fifth-anniversary presentation of *Coca-Cola Light* in a silver-colored 600-ml. PET bottle on a temporary basis.

With regard to our entry into new market segments, *Powerade*, *Mickey Aventuras* and *Kin Light* were launched in the sports drink, flavored milk and powder segments, respectively. At the end of the third quarter, *BEAT* and a new fruit-flavored *Joya* were launched in some territories.

Finally, a number of topical promotions were launched, such as World Cup Football for *Coca-Cola* products in general, the *Harry Potter* campaign, and special Christmas promotions.

The 58% increase in single-serve sales of water year-over-year was due to the introduction and relaunch of *Ciel* water in several cities where it was not selling, and the introduction of *Ciel* to residential routes.

The Company reported a growth in sales of NR presentations in 2002 compared with the previous year. A large part of the increase reflects the *tapipesos* promotion, temporary offers in some channels,



discounts in the prices of NR products, and the introduction of 8-oz. presentations of *Coca Cola* in non-returnable glass bottles and 250-ml. PET presentations of non-cola soft drinks in some territories.

Sales

2002 net sales totaled Ps 13,151 million, a 5.0% decrease from Ps 13,847 million reported for the previous year. This decline was a result of several factors, the main one being a reduction in soft-drink prices in real terms. Furthermore, the Company standardized its policy for accounting for refunds and discounts on sales; some companies presented these items as selling expenses in 2001, but deducted them directly from sales in 2002. The Company also stopped invoicing soft drinks for export that Argos used to manufacture for a third party.

Cost of Sales

The accumulated cost of sales fell 6.7% year-over-year, decreasing from Ps 6,427 million in 2001 to Ps 5,999 million in 2002 and resulting in a gross margin of 54.4% for 2002. This decline was a result of several factors, which include: a reduction in real terms of the price of concentrate, which is linked to the sales price; a reclassification of operating expenses for finished-product warehousing, which some companies accounted for as a cost of sales in 2001, but as a selling expense in 2002; and the halting of production for export, an activity with very low margins.

Operating Expenses

Accumulated selling expenses for 2002 totaled Ps 3,542 million, an increase of 2.1% over 2001. This change reflects a rise in payroll due to the absorption of the salary credit tax as of 2002, as well as an increase in marketing activities.

Administrative expenses for 2002 were practically unchanged when compared to 2001, declining 0.4%.

Operating Income and EBITDA

Operating income, excluding non-recurring expenses of Ps 139 million, decreased 12.0%, from Ps 2,785 million in 2001 to Ps 2,451 million in 2002. Operating margin, excluding non-recurring expenses, declined to 18.6% from 20.1% in 2001.

Operating cash flow, EBITDA (excluding non-recurring expenses), fell 8.2% in real terms, from Ps 3,509 million (25.3% of sales) in 2001 to Ps 3,221 million (24.5% of net sales) in 2002.

Non-recurring Expenses

Non-recurring expenses totaled Ps 139 in 2002, compared to Ps 59 in 2001. This increase was largely due to severance payments made in relation to personnel downsizing and extraordinary payments of professional fees for legal and accounting services.

Integral Cost of Financing

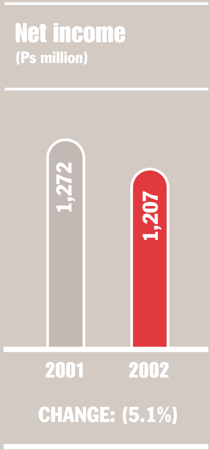
As a consequence of the depreciation of the Mexican peso vis-à-vis the U.S. dollar and the interest expense on the syndicated loan of US$ 180 million, the integral cost of financing increased year-over-year, resulting in a charge of Ps 141 million in 2002, compared with a charge of Ps 14 million in 2001.

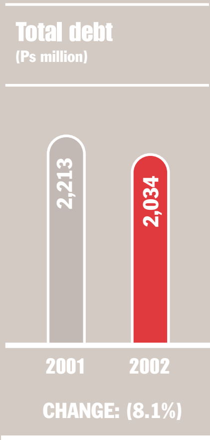
Other Expenses

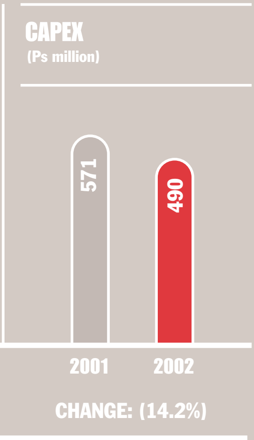
The 66.0% reduction in other expenses in 2002 reflects the recovery of compensatory quotas of Ps 67 million for high fructose products imported during 1999, 2000 and 2001. In 2001, certain non-strategic fixed assets were sold, generating an accounting loss for that year. In 2002, fixed assets amounting to Ps 154 million were retired, offsetting the previously mentioned effect of the sale of assets in 2001.

Provision for Income Tax and Employees' Profit Sharing

The provision for income tax and employees' profit sharing totaled Ps 925 million in 2002, 28.8% below the Ps 1,300 million of 2001, largely due to a reduction in before-tax profit. The net rate for income tax and employees' profit sharing in 2002 was 43.4%.







Net Income

Net income for the year was Ps 1,207 million, 5.1% below the Ps 1,272 million posted for 2001. Net income per share was Ps 1.5 for 2002, compared with Ps 1.58 per share in 2001.

Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2002 reached Ps 1,382 million, 34.6% above that of 2001.

Capital Expenditures

Capital expenditures during 2002 totaled Ps 490 million, an amount that was for the most part used for the renovation and modernization of plants, and the replacement of transportation equipment. A dividend amounting to Ps 543 million was paid in 2002.

RELEVANT EVENTS

As a result of the great volatility of the financial markets in 2002, during the month of July the foreign exchange risk of Arca's debt was hedged 94% through contracts known as Cross Currency Swaps. The Company converted US$170 million of debt to pesos at an average foreign exchange rate of 9.895 pesos per dollar and at an average interest rate of approximately 10.94%.

In order to increase the trading volume of Arca shares, in December 2002, the Company activated a share-repurchasing fund of up to Ps 400 million. As of December 31, 2002, 477,700 shares had been repurchased.

Adrián Wong
Chief Financial Officer

Pro-Forma Consolidated Balance Sheet *

(In millions of Mexican pesos in Purchasing Power as of December 31, 2002)

December 31,	**2002**	**2001**	**2000**	**1999**
ASSETS				
Current Assets:				
Cash and cash equivalents	1,382	1,027	1,561	826
Accounts receivable, net	373	369	397	335
Other accounts receivable	325	164	150	172
Inventories	1,139	1,216	1,269	1,439
Prepaid expenses	40	12	7	6
Total current assets	3,260	2,788	3,384	2,778
Investment in shares	82	75	58	68
Restricted fixed assets	-	-	487	489
Property, plant and equipment, net	7,557	7,866	7,585	7,502
Goodwill, net	2,088	2,211	1,120	1,184
Other assets	61	67	83	87
Total assset	**13,047**	**13,008**	**12,717**	**12,107**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Bank loans and current portion of long term debt	197	165	123	362
Suppliers	411	383	461	447
Other accounts payable and accrued expenses	684	934	791	450
Total current liabilities	1,291	1,483	1,375	1,260
Long term debt	1,837	2,048	571	697
Pension plans and seniority premiums	171	187	125	128
Deferred income tax and other long term liabilities	1,320	1,453	1,550	1,671
Total liabilities	4,620	5,170	3,621	3,755
STOCKHOLDERS' EQUITY				
Capital stock	3,851	3,851	1,834	1,834
Reserve for repurchase of shares		-	123	28
Premium on issuance of capital stock	538	571	1,989	1,993
Retained earnings	5,757	5,102	6,424	5,585
Deficit on restatement of capital	(1,719)	(1,696)	(1,275)	(1,089)
Total stockholders' equity (majority interest)	8,427	7,827	9,096	8,352
Minority interest	0	10	-	-
Total Stockholders' equity	8,427	7,837	9,096	8,352
Total liabilities and stockholders' equity	**13,047**	**13,008**	**12,717**	**12,107**

(*) 1999, 2000 and 2001 figures are pro-forma (not audited), for comparative purposes only. Calculated as if Embotelladoras Argos, S.A., Empresas El Carmen, S.A. de C.V. and Promotora Empresarial Arma, S.A. de C.V., had been part of Embotelladoras Arca, S.A. de C.V. since January 1, 1999, 2000 and 2001.

Pro-Forma Income Statement *

(In millions of Mexican pesos in Purchasing Power as of December 31, 2002)

December 31,	**2002**	**2001**	**2000**	**1999**
Net sales	13,151	13,847	13,568	12,257
Cost of sales	(5,999)	(6,427)	(6,713)	(6,670)
Gross profit	7,152	7,420	6,855	5,587
Selling expenses	(3,542)	(3,470)	(3,033)	(2,776)
Administrative expenses	(1,160)	(1,165)	(1,054)	(1,005)
Operating income (before non-recurring expenses)	2,451	2,785	2,767	1,807
Non recurring expenses	(139)	(59)	-	-
Operating income (after non-recurring expenses)	2,313	2,726	2,767	1,807
Financing Cost:				
Interest income (expense), net	(115)	6	(122)	(74)
Exchange gain (loss), net	(116)	(24)	4	(14)
Gain (loss) on monetary position	89	4	7	83
	(141)	(14)	(110)	(5)
	2,171	2,712	2,657	1,802
Other (expense), net:	(42)	(11)	(22)	23
Other merger related income (expenses), net	0	(114)	-	-
Income before provisions for income tax and employees' profit sharing	2,129	2,587	2,635	1,825
Provisions for:				
Income tax	(677)	(979)	(859)	(642)
Employees' profit sharing	(248)	(321)	(290)	(198)
	(925)	(1,300)	(1,150)	(840)
Equity income of affiliates	3	(16)	8	9
Net income	1,207	1,272	1,493	993
Number of shares (millions) *	806	806	806	806
Depreciation	646	651	623	603
Amortization	124	74	64	64
EBITDA (before non-recurring expenses)	3,220	3,509	3,454	2,473
CAPEX	490	571	703	793

(*) 1999, 2000 and 2001 figures are pro-forma (not audited), for comparative purposes only. Calculated as if Embotelladoras Argos, S.A., Empresas El Carmen, S.A. de C.V. and Promotora Empresarial Arma, S.A. de C.V., had been part of Embotelladoras Arca, S.A. de C.V. since January 1, 1999, 2000 and 2001.

Management's Financial Responsibility

Management is responsible for preparing the financial statements and all the financial information contained in this report. This responsibility includes maintaining the integrity and objectivity of financial records, as well as preparing the financial statements in accordance with Mexican generally accepted accounting principles.

The Company has an internal control structure whose objectives include, among other things, ensuring that Company records incorporate all transactions related to its operating activities, thus providing protection against the inappropriate use or loss of Company assets. Management believes that the internal control structure complies with said objectives.

The control structure is based on the hiring and training of qualified personnel, documented policies and procedures, and a team of internal auditors who apply rigorous auditing programs to all the Company's operations.

The financial statements were audited by PricewaterhouseCoopers, S.C. a firm of independent public accountants. Their audit was carried out in accordance with Mexican generally accepted accounting principles and included the Company's internal control structure. The external auditors' report is included in this report.

The Company's Board of Directors, through an auditing committee made up exclusively of directors who are not employed by the same, is responsible for ensuring that Company Management complies with its obligations in regard to the financial control of operations and the preparation of financial statements.

The Auditing Committee proposes the firm of external auditors to the Board of Directors and meets with Management, the internal auditors and the firm of external auditors on a regular basis.

The Auditing Committee has free access to the internal auditors and the firm of external auditors, with whom it meets continuously to discuss their audit work, internal controls and the preparation of financial statements.

Francisco Garza E.
Chief Executive Officer

Adrián Wong B.
Chief Financial Officer

Report of Independent Accountants

PricewaterhouseCoopers

To the Stockholders of Embotelladoras Arca, S. A. de C. V.

Monterrey, Mexico, March 7, 2003

We have audited the consolidated balance sheets of Embotelladoras Arca, S. A. de C. V. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, of changes in stockholders' equity and changes in financial position for the years then ended. These financial statements have been prepared in accordance with generally accepted accounting principles in Mexico and 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As of February 25, 2003, the Board of Directors approved a streamlining plan for their facilities and distribution centers, a savings plan in centralized purchases and a corporate and operational reorganization plan, all of which are an integral part of an improvement and efficiency program described in Note 18 to these financial statements.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Embotelladoras Arca, S. A. de C. V. and subsidiaries as of December 31, 2002 and 2001, and the consolidated results of their operations, their changes in stockholders' equity and their changes in financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

C.P. José Antonio Quesada P.

Consolidated Balance Sheets

(Notes 1, 2 and 3)
(In thousands of Mexican pesos in purchasing power of December 31, 2002)

December 31,		**2002**		**2001**
ASSETS				
Current assets:				
Cash and cash equivalents	Ps.	1,382,375	Ps.	1,027,148
Trade accounts receivable (less allowance for doubtful accounts of Ps.36,996 in 2002 and Ps.34,177 in 2001)		372,536		369,124
Other accounts receivable		325,288		163,685
Inventories *(Note 4)*		1,139,094		1,216,481
Prepaid expenses		40,307		11,691
Total current assets		3,259,600		2,788,129
Investment in shares *(Note 5)*		81,592		75,310
Property, plant and equipment, net *(Note 6)*		7,556,546		7,865,981
Goodwill, net *(Note 7)*		2,087,716		2,211,336
Other assets		61,147		66,901
Total assets	**Ps.**	**13,046,601**	**Ps.**	**13,007,657**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Suppliers	Ps.	410,525	Ps.	383,152
Short-term debt *(Note 8)*		-		15,855
Current portion of long-term debt *(Note 8)*		197,005		149,159
Sundry creditors and accrued expenses		358,447		311,035
Employees' profit sharing payable *(Note 13)*		243,578		321,847
Income tax payable *(Note 13)*		81,606		301,552
Total current liabilities		1,291,161		1,482,600
Long-term debt *(Note 8)*		1,837,339		2,047,890
Labor obligations *(Note 9)*		171,447		187,124
Deferred income tax liability *(Note 13)*		1,319,773		1,440,812
Other		-		11,994
Total liabilities		4,619,720		5,170,420
Contingencies *(Note 10)*				
Subsequent event *(Note 18)*				
Stockholders' equity *(Note 11)*:				
Contributed capital stock		3,850,753		3,850,753
Additional paid in capital		537,974		570,748
Retained earnings		5,752,551		5,098,661
Cumulative translation adjustment of foreign subsidiary		4,420		2,985
Stockholders' reduction from labor obligations		(4,317)		(26,706)
Deficit from restatement		(1,714,703)		(1,669,001)
Total majority interest		8,426,678		7,827,440
Minority interest		203		9,797
Total stockholders' equity		8,426,881		7,837,237
Total liabilities and stockholders' equity	**Ps.**	**13,046,601**	**Ps.**	**13,007,657**

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

Francisco Garza E.
Chief Executive Officer

Adrián Wong B.
Chief Financial Officer

Consolidated Statements of Income

(Notes 1, 2 and 3)
(In thousands of Mexican pesos in purchasing power as of December 31, 2002)

December 31,	2002	2001
Net sales	$ 13,151,014	$ 7,332,690
Cost of sales	(5,998,751)	(3,104,014)
Gross margin	7,152,263	4,228,676
Administrative expenses	(1,298,089)	(727,814)
Selling expenses	(3,541,626)	(2,045,404)
	(4,839,715)	(2,773,218)
Operating income	2,312,548	1,455,458
Financing cost:		
Interest (expense) income, net	(114,690)	50,650
Exchange loss, net	(115,777)	(19,665)
Gain (loss) from monetary position	89,163	(12,096)
	(141,304)	18,889
	2,171,244	1,474,347
Other expense, net *(Note 12)*	(42,450)	(107,203)
Income before provisions for income tax and employees' profit sharing	2,128,794	1,367,144
Provisions for *(Note 13)*:		
Income tax	(676,856)	(542,348)
Employees' profit sharing	(247,986)	(176,289)
	(924,842)	(718,637)
Income before equity in income of affiliates	1,203,952	648,507
Equity in income of affiliates	2,752	5,452
Income before extraordinary item and minority interest	1,206,704	653,959
Extraordinary item *(Note 2)*	-	(18,913)
Minority interest	(27)	(82)
Net income	Ps. 1,206,677	Ps. 634,964
Net income per share	Ps. 1.50	Ps. 1.22
Weighted average shares outstanding (thousands)	806,020	518,665

The accompanying notes are an integral part of these consolidated financial statements

Francisco Garza E.
Chief Executive Officer

Adrián Wong B.
Chief Financial Officer

Consolidated Statements of Changes in Stockholders' Equity

(Notes 1, 2 and 3)
(In thousands of Mexican pesos in purchasing power as of December 31, 2002)

	Capital stock	Additional paid in capital	Retained earnings
Balance at December 31, 2000	Ps. 1,383,688		Ps. 4,984,629
Changes in 2001:			
Dividends declared			(1,180,923)
Merger with Empresas El Carmen, S. A. de C. V. and Promotora Empresarial Arma, S. A. de C. V. *(See Note 2)*	217,208	Ps. 348,980	659,991
Increase of shares due to exchange offer related to the acquisition of Embotelladoras Argos, S.A. *(See Note 2)*	2,249,857	3,350,243	
Charge off of goodwill derived from the acquisition of Embotelladoras Argos, S. A.		(3,128,475)	
Increase in minority interest			
Comprehensive income			634,964
Balance at December 31, 2001	3,850,753	570,748	5,098,661
Changes in 2002:			
Dividends declared			(543,305)
Charged off of goodwill derived from the acquisition of Embotelladoras Argos, S. A.		(8,730)	
Reduction in minority interest derived from the shares' acquisition of Embotelladoras Argos, S.A.			
Acquisition of own shares			(9,482)
Income tax derived from the repurchase of own shares		(24,044)	
Increase in minority interest			
Comprehensive income			1,206,677
Balance at December 31, 2002 *(Note 11)*	**Ps. 3,850,753**	**Ps. 537,974**	**Ps. 5,752,551**

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

Francisco Garza E.
Chief Executive Officer

Adrián Wong B.
Chief Financial Officer

Cumulative translation adjustment of foreign subsidiary	Stockholders' reduction from labor obligations	Deficit from restatement	Total majority interest	Minority interest	Total stockholders' equity
Ps. 3,913	(Ps. 2,036)	(Ps. 1,991,516)	Ps. 4,378,678		Ps. 4,378,678
			(1,180,923)		(1,180,923)
	(4,926)	279,763	1,501,016		1,501,016
			5,600,100	Ps. 9,715	5,609,815
			(3,128,475)		(3,128,475)
				82	82
(928)	(19,744)	42,752	657,044		657,044
2,985	(26,706)	(1,669,001)	7,827,440	9,797	7,837,237
			(543,305)		(543,305)
			(8,730)		(8,730)
				(9,621)	(9,621)
			(9,482)		(9,482)
			(24,044)		(24,044)
				27	27
1,435	22,389	(45,702)	1,184,799		1,184,799
Ps. 4,420	**(Ps. 4,317)**	**(Ps. 1,714,703)**	**Ps. 8,426,678**	**Ps. 203**	**Ps. 8,426,881**

Consolidated Statements of Changes in Financial Position

(In thousands of Mexican pesos in purchasing power of December 31, 2002)

December 31,	**2002**	**2001**
Operating activities:		
Consolidated net income before extraordinary item and minority interest	Ps. 1,206,704	Ps. 653,959
Items not affecting resources:		
Equity in income of affiliates	(2,752)	(5,452)
Allowance for doubtful accounts	12,555	12,201
Depreciation	645,730	405,012
Allowance for disposal of fixed assets	153,884	-
Labor obligations	6,018	47,896
Goodwill amortization	123,620	13,465
Deferred income tax	(121,039)	(51,279)
	2,024,720	1,075,802
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(177,570)	(20,269)
Inventories	28,155	(80,981)
Prepaid expenses and other assets	(22,168)	14,914
Suppliers	27,373	(62,735)
Other accounts payable and accrued expenses	(262,797)	(154,729)
Resources provided by operating activities before extraordinary item	1,617,713	772,002
Extraordinary item	-	(18,913)
Resources provided by operating activities	1,617,713	753,089
Financing activities:		
Bank loans	(178,560)	1,762,971
Dividends declared	(543,305)	(1,180,923)
Acquisition of own shares	(9,482)	-
Resources (used in) provided by financing activities	(731,347)	582,048
Investing activities:		
Net assets derived from the merger with Empresas El Carmen, S.A. de C.V. and Promotora Empresarial Arma, S.A. de C.V.	-	(1,501,016)
Net assets acquired from acquisition of Embotelladoras Argos, S.A.	(8,730)	(3,099,715)
Goodwill	-	(1,005,781)
Issuance of shares derived from the merger with Empresas El Carmen, S.A. de C.V. and Promotora Empresarial Arma, S.A. de C.V.	-	1,501,016
Issuance of shares net of charged off of goodwill due to the exchange offer related to the acquisition of Embotelladoras Argos, S.A. shares	-	2,471,625
Property, plant and equipment, net	(490,179)	204,043
Investment in shares of affiliates	-	344,648
Reduction on minority interest derived from the acquisition of Embotelladoras Argos, S.A. shares	(9,621)	-
Income tax derived from the acquisition of own repurchased shares	(24,044)	-
Cumulative translation adjustment of foreign subsidiary	1,435	(928)
Resources used in investing activities	(531,139)	(1,086,108)
Increase in cash and cash equivalents	355,227	249,029
Cash and cash equivalents at beginning of year	1,027,148	778,119
Cash and cash equivalents at end of year	Ps. 1,382,375	Ps. 1,027,148

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

Francisco Garza E.
Chief Executive Officer

Adrián Wong B.
Chief Financial Officer

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2002 and 2001
(In thousands of Mexican pesos in purchasing power as of December 31, 2002, except the amounts of shares and foreign currency)

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Proyección Corporativa, S. A. de C. V. (Procor) was incorporated on September 24, 1980, under the laws of Mexico. At the shareholders' meeting held on August 24, 2001 the corporate name of Procor was changed to Embotelladoras Arca, S. A. de C. V. (Arca). Arca and Arca and its subsidiaries are collectively referred to as "Arca".

Under bottling agreements with The Coca-Cola Company (TCCC), Arca has the exclusive right to produce, market and distribute Coca-Cola and other Coca-Cola products in territories located in northern Mexico. In addition, Arca produces, markets and distributes other proprietary and non-proprietary products including soft drinks and carbonated and non-carbonated bottled water.

NOTE 2 - ACQUISITIONS

On August 9, 2001, Arca entered into a purchase agreement with The Inmex Corporation (Inmex), a subsidiary of TCCC, pursuant to which Arca acquired the outstanding shares of common stock of Empresas El Carmen, S. A. de C. V. (Arma), representing a 12% interest, for an aggregate purchase price of US$43 million. Under bottling agreements with TCCC, Arma had the exclusive right to produce, market and distribute Coca-Cola and other Coca-Cola products in certain territories located in northern Mexico.

On the same date, Arca entered into a purchase agreement with Inmex, pursuant to which Inmex agreed to sell to Arca, subject to the satisfaction of certain conditions, the shares of Embotelladoras Argos, S. A. (Argos) owned by Inmex, representing a 20.76% interest, for an aggregate purchase price of US$151 million. Such conditions included, among others, the approval of Arca's tender offer by the Mexican Banking and Securities Comission (Comisión Nacional Bancaria y de Valores, or CNBV). The acquisition was completed on December 17, 2001. Under bottling agreements with TCCC, Argos had the exclusive right to produce, market and distribute Coca-Cola and other Coca-Cola products in certain territories located in northern Mexico.

The acquisition of Arma and Argos shares from Inmex was funded by cash on hand and the proceeds of a syndicated loan with maturity in 2004, which amounted to US$180 million (see Note 8).

Both acquisitions from Inmex were accounted for as a purchase. The excess of the purchase price over the book value of assets acquired and liabilities assumed resulted in the recognition of a goodwill amount of Ps.184,497 and Ps.828,817, for the acquisitions of shares of Arma and Argos, respectively.

On August 24, 2001, the shareholders of Arca, Arma and Promotora Empresarial Arma, S. A. de C. V. (Premarsa), an affiliate of Arma, agreed to merge. The merger was accounted for as a book value purchase from the date of acquisition. As a result of the merger, Arma and Premarsa were absorbed by Arca, which remained as the surviving company. The statements of consolidated income for the year ended December 31, 2001 include the results of Arma and Premarsa beginning August 25, 2001.

As a result of the public offering for the purchase of shares of Argos and the reciprocal subscription of shares of Arca, which was executed on December 13, 2001, Arca acquired 78.92% of the outstanding shares of Argos. At December 31, 2001, 0.32% (.005% at December 31, 2002) of the remaining shares of Argos not exchanged was owned by public investors. The exchange of shares was recorded by using the purchase method, which resulted in an excess in the cost of acquisition of shares on the book value of net assets (goodwill), net of the premium on issuance of capital stock resulting from the exchange of shares. The consolidated statement of income for the year ended December 31, 2001 includes the income of Argos as of December 1, 2001.

Integration costs related to the above mentioned transactions amounted to Ps.18,913 and are shown in the consolidated financial statements as an extraordinary item. These costs mainly relate to fees paid to outside consultants for accounting, legal and appraisal services as well as registration costs, among others.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by Arca and observed in the preparation of these financial statements are summarized below.

a. **Basis of presentation**
   The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Mexico, as promulgated by the Mexican Institute of Public Accountants (MIPA).

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2002 and 2001
(In thousands of Mexican pesos in purchasing power as of December 31, 2002, except the amounts of shares and foreign currency)

b. Basis of consolidation

The consolidated financial statements include the net assets and results of operations of all subsidiaries in which Arca has a controlling interest. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

At December 31, 2002 and 2001 (except for the investment percentage in the companies of Argos, represented by 99.68%), the percentages in investment of subsidiaries, directly or indirectly, were the following:

Operating companies

Former Procor companies (100%):

Bebidas Mundiales, S. A. de C. V.
Compañía Topo Chico, S. A. de C.V.
Embotelladora de Reynosa, S. A. de C.V.
Embotelladora Internacional, S. A. de C.V.
Embotelladora Tamaulipeca, S. A. de C.V.
Sello Tapa, S. A. de C. V.
Interex, Corp.

Former Arma and Premarsa companies (100%):

Embotelladora El Carmen, S. A. de C. V.
Embotelladoras del Norte de Coahuila, S. A. de C. V.
Refrescos de Matehuala, S. A. de C. V.
Embotelladora de Monclova, S. A. de C. V.
Compañía Embotelladora de Sabinas, S. A. de C. V.
Compañía Embotelladora del Pacífico, S. A. de C. V.
Compañía Embotelladora de Baja California Sur, S. A. de C. V.
Industrial de Plásticos Arma, S. A. de C. V.

Former Argos companies (99.995%):

Embotelladora de la Frontera, S. A. de C. V.
Compañía Embotelladora de Nueva Obregón, S. A. de C. V.
Embotelladora de Chihuahua, S. A. de C. V.
Compañía Embotelladora de Culiacán, S. A. de C. V.
Embotelladora de Mexicali, S. A. de C. V.
Embotelladora Pitic, S. A. de C. V.
Productora de Hielo del Norte, S. A. de C. V.
Promotora Industrial Juárez, S. A. de C. V.
Distribuidora de Bebidas Arca, S. A. de C. V.
Refrigeradora de Parral, S. A. de C. V.

Holdings, real estate and service companies

Former Procor companies (100%):

Administradora Arca Este, S. A. de C. V.
Publicidad Eficaz, S. A. de C. V.
Arca Corporativo, S. A. de C. V.
(former Proveedora Omicrón, S. A. de C. V.)
Inmobiliaria Barvi, S. A. de C. V. (1)

Former Arma companies (100%):

Arrendamientos y Fomento Industrial del Pacífico, S. A.

Former Argos companies (99.995%):

Embotelladoras Argos, S. A.
Cuncalín, S. A. de C. V.
Corporación Arca Oeste, S. A. de C. V.
Impulsora Pajime, S. A. de C. V.
Arrendadora de Chihuahua, S. A. de C. V.
Inmuebles Triunfo del Norte, S. A. de C. V.
Inmobiliaria Infer, S. A. de C. V.
Sichisa, S. A. de C. V.
Inmobiliaria So-Ga, S. A. de C. V.

(1) *On November 27, 2002, the merger of Corporativo Arma, S. A. de C. V. (as the merged company - a service company of Arma) with Inmobiliaria Barvi, S. A. de C. V. (as the merging company) was approved.*

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Recognition of the effects of inflation

The consolidated financial statements have been prepared in accordance with Statement B-10, “Recognition of the Effects of Inflation on Financial Information”, as amended, issued by the MIPA. Statement B-10 provides guidance for the recognition of the effects of inflation.

Statement B-10 requires restatement of all financial statement items to pesos of the most current purchasing power. For comparative purposes, the consolidated financial statements of prior years have been restated to pesos as of December 31, 2002 as follows:

- The financial statements of Mexican holding companies and subsidiaries have been restated to pesos as of December 31, 2002 by applying to the year-end balances of constant pesos of each period an inflation factor derived from the National Consumer Price Index (NCPI), published by Banco de Mexico (the Central Bank of Mexico).

- The financial statements of the foreign subsidiary have been restated to pesos as of December 31, 2002, by applying to the year-end foreign currency balances the General Consumer Price Index (GCPI) of the foreign country in which the subsidiary operates and by applying the exchange rate as of December 31, 2002, as described in e.

NCPI used to restate prior years financial statements are as follows:

	Inflation for the period	Cumulative inflation as of December 31, 2002
2001	4.40%	10.35%
2002	5.70%	5.70%

The following items are the result of the recognition of the effects of inflation on the financial information:

i) Financing cost

Represents the results of financing in periods of inflation, consisting of net interest, net foreign exchange gains or losses and gain or loss from monetary position. Gains (losses) from monetary position represent the effect of inflation, as measured by the NCPI, on the company's net balance of monetary assets and liabilities at the beginning of each month as expressed in local currency. If monetary liabilities exceed monetary assets, there is a gain from monetary position. Conversely, if monetary liabilities are less than monetary assets, there is a resulting loss from monetary position. The monetary gain (loss) recognized on the net monetary position of foreign subsidiaries is based on the inflation rate of the respective country, as measured by the relevant GCPI factor, prior to the translation to Mexican pesos.

ii) Deficit from restatement

This component represents the difference between the replacement cost values of certain inventories and, until December 31, 1996, fixed assets, and the historical cost of those assets restated for inflation, as measures by NCPI factors.

iii) Restatement of stockholders' equity

The capital stock, paid-in capital and retained earnings accounts include the effect from restatement, determined by applying NCPI factors from the dates on which capital was contributed and earnings were generated, respectively. Such restatement reflects the amounts necessary to maintain the contributions and accumulated results in constant pesos of December 31, 2002.

iv) Statement of changes in financial position

Statement B-12, "Statement of changes in financial position" issued by the MIPA, specifies the appropriate presentation of the statement of changes in financial position when financial statements have been stated in constant pesos of purchasing power as of the date of the last balance sheet. Statement B-12 requires identifying the origin and application of resources through the differences between initial and final balances of the balance sheet in constant pesos, excluding the effects from holding non-monetary assets.

e. Translation of foreign subsidiary

The financial statements of foreign subsidiaries have been restated to recognize the effects of inflation and translated to Mexican pesos of constant purchasing power as of December 31, 2002, as follows:

- Financial statements are restated to year-end constant local currencies following the provisions of Statement B-10, applying the GCPI of the foreign country, which reflects the change in purchasing power of the local currency in which the foreign subsidiary reports its operations.

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2002 and 2001
(In thousands of Mexican pesos in purchasing power as of December 31, 2002, except the amounts of shares and foreign currency)

- After the financial statements of the foreign subsidiary are restated to constant purchasing power, all assets and liabilities are translated to Mexican Pesos applying the exchange rate in effect at each period ended. Income and expenses are translated using the average exchange rate for the reporting period.

- The translation effects are recorded as part of the stockholders' equity in the cumulative translation adjustment of foreign subsidiaries.

f. Cash and cash equivalents

Arca considers all highly liquid temporary investments with original maturities of three months or less, to be cash equivalents.

g. Inventories and cost of sales (Note 4)

Raw materials, finished products and materials and spare parts are stated at average cost, which due to high inventory turnover approximates the estimated replacement cost, or market value. Cost of sales is stated at estimated replacement cost at the time of the sale.

Cost of sales consist of raw materials (principally sugar, water, soft drink concentrate and packaging materials), together with certain labor expenses for production such as employees and overhead expenses, and depreciation expense attributable to production facilities.

Bottles and cases are recorded at acquisition cost and restated to their replacement cost.

Breakage of bottles and delivery cases that are not acceptable for their use in accordance with age standards and/or conditions established by Arca, are withdrawn and charged to income as identified. The useful life of returnable glass and plastic bottles is estimated at an average of four years and one year, respectively.

Charges to income from broken and withdrawn bottles would correspond approximately to the amortization calculated over the replacement cost, by using the straight-line method based on their estimated useful lives.

h. Investment in securities (Note 5)

Investments in shares of affiliated companies, in which the percentage of ownership is between 10% and 50% of the investees' voting stock, or where Arca exercises significant influence, are accounted for by the equity method. Investments in nonmarketable common stock with ownership of less than 10% of the investees' voting stock are recorded at acquisition cost restated by applying factors derived from NCPI.

i. Property, plant and equipment, net (Note 6)

Property, plant and equipment are recorded at acquisition cost, restated by applying the inflation factors derived from the NCPI to the historical cost. When assets are retired or otherwise disposed of, the restated cost and accumulated depreciation are discarded from the accounts and any resulting gain or loss is recorded in income in the item "Other expense, net".

Depreciation is calculated based upon the restated carrying value of the assets and is recorded using the straight-line method based on the estimated useful lives of the assets. Annual rates applied to restated amounts are as follows:

Buildings	2%
Machinery and equipment	8%
Transportation equipment	10%
Refrigerators and sales equipment	10%
Computer equipment	25%
Office equipment	10%

j. Goodwill (Note 7)

Goodwill represents the excess of cost of businesses acquired over the book value of assets acquired and liabilities assumed, and is amortized under the straight-line method over a period of 20 years or less. Goodwill is restated by applying inflation factors derived from the NCPI. The carrying value of goodwill is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses.

k. Other assets

This caption is stated at cost or at cost restated by applying factors derived from the NCPI to the historical cost. This caption mainly comprises intangible assets related to the seniority, pension, health and medical plans. Other minor assets included in this caption are start-up or preoperating expenses, extractable water deposit rights, costs of implementation of integral computer systems, expenses for placement of debt, all of which are subject to amortization.

l. Long-lived assets

Arca evaluates potential impairment losses to long-lived assets to be held and used, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future discounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized through expense is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value is determined on market values when available or by independent appraisals. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. See status on new accounting statements in y.

m. Labor obligations (Note 9)

In accordance with Mexican Labor Law, Mexican employees are entitled to a seniority premium after 15 years of service or upon dismissal, disability or death. Under Statement D-3, "Labor Obligations", the actuarially determined projected benefit obligation is computed using estimates of salaries that would be in effect at the time of payment. Personnel not yet eligible for seniority premiums are also included in the determination of the obligation with necessary adjustments made in accordance with the probability that these employees will reach the required seniority. The cost of past service is amortized over the average period required for workers to reach their retirement age.

The cost of the employees retirement plans (pension and seniority premiums and postretirement benefits), both formal and informal, is recognized as an expense in the year in which the services are rendered, in accordance with studies by independent actuaries using the projected unit credit method.

Arca has established the following plans:

	Predecessor companies:
Seniority premiums	Procor, Argos, Arma and Premarsa
Pensions	Procor, Argos, Arma and Premarsa
Postretirement benefits	Procor

Other payments based on seniority to which employees are entitled in case of dismissal or death, in accordance with the Federal Labor Law, are recorded in income for the year in which they are accrued.

n. Financial instruments (Note 17)

Arca uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in foreign exchange rates.

Instruments contracted with hedging purposes are valued by using the same criterion of hedged assets and liabilities, and the changes in value are recorded in income for the year. Interests are recorded in the statement of income in the period in which they are accrued.

o. Acquisition of own shares

Shares acquired are shown as a decrease in retained earnings and valued at their restated acquisition cost, by applying factors derived from the NCPI to the historical cost. Dividends received are recorded by decreasing their restated cost.

Shares not replaced in the market in the year following their acquisition date, will be reduced from capital.

p. Revenue recognition

Revenues are recognized upon shipment to, and acceptance by Arca's customers, or when both title and the risk of ownership has been transferred to the customer.

q. Selling and administrative expenses

Selling expenses consist primarily of marketing and advertising expenditures, commissions and benefits for sales personnel, breakage of bottles in the distribution process, and depreciation, repairs and fuel costs for the fleet of trucks.

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Shipping and handling expenses include the cost of trucks for delivery of products to customers, and are recorded as selling expenses. For the years ended December 31, 2002 and 2001 shipping and handling expense amounted to Ps.421,303 and Ps.223,466, respectively.

Fees to salesmen are recorded as sale expenses. The corresponding charges to income amounted to Ps.293,863 and Ps.167,369 in 2002 and 2001, respectively.

Administrative expenses consist primarily of depreciation of the administrative offices, wages and benefits for administrive personnel, professional and other fees and goodwill amortization.

r. Income tax, asset tax and employees' profit sharing (Note 13)

Effective January 1, 2000 Arca adopted the provisions established by the revised Statement D-4, "Accounting Treatment of Income Tax, Asset Tax and Statutory Employees' Profit Sharing", issued by the MIPA; therefore, Arca changed its method of accounting for income tax from the partial liability method to the full liability method for all temporary differences arising between the carrying values for financial reporting and tax values of assets and liabilities.

s. Advertising and incentive payments from TCCC

Advertising costs are expensed as incurred. For the year ended December 31, 2002 and 2001, advertising expense amounted to Ps.324,202 and Ps.105,509, respectively.

Regional campaigns must be approved by The Coca Cola Export Corporation, branch in Mexico (CCM). CCM generally pays up to 50% of the cost of these campaigns. The resources received from advertising and promotional incentives are accounted for as a reduction of selling expenses.

t. Commercial incentives

From time to time, Arca gives sales discounts to retailers in connection with launching a new product or a weekend promotion. In addition, sales discounts also may be granted to large retailers. These promotional payments are accounted for as a reduction to revenue.

u. Foreign currency transactions (Note 14)

Transactions denominated in foreign currency are recorded at the exchange rate in effect at the date they are translated. Assets and liabilities in foreign currency are translated into Mexican pesos, at the exchange rate in effect as of the balance sheet date. Exchange differences resulting from such translations are recognized in income for year.

v. Net income per share

Earnings per share are computed on the basis of the weighted average number of common shares outstanding during the year. For the years ended December 31, 2002 and 2001, there are no effects arising from potentially dilutive shares. In accordance with Statement B-14, "Income per share", this caption represents the net income corresponding to each share of Arca's capital stock.

w. Concentration risk

Financial instruments, which potentially subject Arca to significant concentration of credit risk, consist primarily of cash and cash equivalents, trade accounts receivable, and other accounts receivable.

Arca maintains its cash and cash equivalents with various major financial institutions, and are principally invested in short term investments and money market accounts.

Concentrations of credit risk with respect to trade accounts receivable is limited due to the large number of customers throughout the states of northern Mexico where Arca operates. Arca maintains allowances for doubtful accounts based on the expected collectibility.

As of December 31, 2002 and 2001, approximately 87% and 88%, respectively, of Arca's net sales, consisted of products sold under Coca Cola trademarks. Arca manufactures and sells these products pursuant to bottling agreement with TCCC. Each bottling agreement provides for a date of expiration. Expiration dates are as follows:

- Four bottling agreements covering all of the territories formerly operated by Procor, each of which is scheduled to expire on December 31, 2012.

- Six bottling agreements covering all of the territories formerly operated by Arma, each of which is scheduled to expire on January 14, 2013.

- One bottling agreement covering all of the territories formerly operated by Argos, which is scheduled to expire on June 30, 2008 and is subject to an additional ten-year renewal period.

During Arca's 77-year business relationship, TCCC has never failed to renew any of the bottling agreements. Management believes that TCCC will continue to renew the bottling agreements upon their respective expiration dates, but can give no assurance that all of the bottling agreements will be renewed in the future. If TCCC fails to renew any of the existing bottling agreements covering a significant portion of the business upon their expiration, Arca's business and results of operations could be adversely affected.

Additionally, under the bottling agreements, TCCC exclusively supplies the concentrates and syrups used in the manufacturing of all the products sold under its proprietary trademarks and has the ability to unilaterally set the price of such products. If TCCC significantly increases the prices of concentrate for soft drinks, Arca's results of operations could be adversely affected.

x. Comprehensive income

Effective January 1, 2001, Arca adopted the provisions of Statement B-4 "Comprehensive Income". Statement B-4 defines comprehensive income as the net income for the period presented in the income statement plus other results for the period reflected in the stockholders' equity, and requires the disclosure of the components of comprehensive income in the presentation of financial statements.

Comprehensive income is comprised of the following:

December 31,	2002	2001
Net income	Ps. 1,206,677	Ps. 634,964
Cumulative translation adjustment of foreign subsidiary	1,435	(928)
Stockholders' equity reduction from labor obligations	22,389	(19,744)
(Loss) gain from holding non-monetary assets	(45,702)	42,752
Comprehensive income, net	Ps. 1,184,799	Ps. 657,044

y. New accounting Statements

In November 2001, the MIPA re-issued Statement C-9, "Liabilities, Provisions, Contingent Assets and Liabilities, and Commitments", which supersedes former Statement C-9, "Liabilities", and Statement C-12, "Contingencies and Commitments". Re-issued Statement C-9 provides guidance for the valuation, recognition and presentation of liabilities, provisions, contingent assets and liabilities and commitments. This Statement includes detailed rules for provisions, the use of present value, the consideration of future events for its valuation, the accounting treatment for possible reimbursements and changes in the estimated value of provisions. In addition, establishes the accounting treatment for redemption of obligations when it occurs in an earlier stage or when it is substituted by a new issuance. Management is evaluating the effect this new bulletin may have on its financial statement. Arca's management estimates the effects of the application of this new statement would not have a significant effect on these consolidated financial statements.

In December 2001, the MIPA issued Statement C-8, "Intangible Assets". This Statement defines intangible assets which includes costs incurred regarding rights or privileges acquired that will generate future economic benefits. In addition, it provides guidance for the deferral of research and development costs and certain preoperating expenses, as well as the rules for the amortization of intangible assets. This Statement is effective as of January 1, 2003. Arca's management estimates the effects of the application of this new statement would not have a significant effect on these consolidated financial statements.

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NOTE 4 - INVENTORIES

Inventories consist of the following:

December 31,	2002	2001
Raw materials	Ps. 233,766	Ps. 213,192
Finished products	156,753	142,731
Materials and spare parts	150,175	185,778
Bottles and cases	566,713	644,111
Advances to suppliers and other	31,687	30,669
	Ps. 1,139,094	Ps. 1,216,481

Breakage and disposal of bottles and cases charged to income amounted to Ps.320,074 and Ps.223,541 for the years ended December 31, 2002 and 2001, respectively.

NOTE 5 - INVESTMENT IN SHARES

Investment in shares consist of the following:

December 31,	2002	2001
Industria Envasadora de Querétaro, S. A. de C. V. (1)	Ps. 78,220	Ps. 71,744
Promotora Mexicana de Embotelladoras, S. A. de C. V. (2)	3,366	3,548
Servicios Integrados para la Industria Refresquera, S. A. de C. V. (3)	6	4
Other	-	14
	Ps. 81,592	Ps. 75,310

(1) *Arca's shareholding in this company is 23.6%. This investment is stated by applying the equity method.*

(2) *Arca's shareholding in this company is 20%. This investment is stated by applying the equity method.*

(3) *Arca's shareholding in this company is 0.55%. This investment is stated by applying factors derived from the NCPI to the restated historical cost.*

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

December 31,	2002	2001
Land	Ps. 1,185,640	Ps. 1,187,920
Buildings	2,404,521	2,321,926
Machinery and equipment	5,645,582	5,791,878
Transportation equipment	2,541,524	2,491,839
Refrigerators and sales equipment	1,290,065	1,253,470
Computer equipment	227,681	182,344
Office equipment	215,625	207,908
Construction in progress and other	233,922	262,223
	13,744,560	13,699,508
Accumulated depreciation	(6,188,014)	(5,833,527)
	Ps. 7,556,546	Ps. 7,865,981

Depreciation charged to income in 2002 and 2001, was of Ps.645,730 and Ps.405,012, respectively.

See Note 18 for the plans of Arca for the streamlining of its facilities and distribution centers.

NOTA 7 – GOODWILL

The goodwill is comprised as follows:

December 31,	2002	2001
Goodwill	Ps. 2,439,193	Ps. 2,439,193
Accumulated amortization	(351,477)	(227,857)
	Ps. 2,087,716	Ps. 2,211,336

Amortization charged to income in 2002 and 2001, amounted to Ps.123,620 and Ps.13,465, respectively.

NOTE 8 - SHORT-TERM AND LONG-TERM DEBT

Short-term and long-term debt are summarized as follows:

December 31,	2002	2001
Mortgage loan		Ps. 727
Syndicated loan	Ps. 1,785,813	1,744,546
Secured loans	190,795	441,353
Collateral loans	42,864	13,585
Financial leasing	14,872	12,693
Total liabilities from bank loans	2,034,344	2,212,904
Short-term debt	-	(15,855)
Current portion of long-term debt	(197,005)	(149,159)
Long-term debt	Ps. 1,837,339	Ps. 2,047,890

The Syndicated loan is guaranteed by Arca's major subsidiaries. Under the terms of the Syndicated loan, Arca is required to maintain certain financial ratios and other financial conditions. The Syndicated loan also prohibits Arca from making certain investments, advances or loans and restricts substantial asset sales and capital expenditures.

During December 2001, Arca prepaid certain debts of Argos, which resulted in the non-compliance of one of the debt covenants. Arca obtained the corresponding waiver from the lenders waiving any and all of the rights and remedies under the Syndicated loan arising out of the existing default.

Other various loan agreements entered into by Argos require compliance with certain covenants and financial ratios, or include restrictions on carrying out significant transactions such as; mergers, spin-offs, disposal of assets, among others.

As of December 31, 2002, Arca has unused lines of credit for Ps.703,000 and US$18,229 (Ps.1,561,335 as of December 31, 2001). Arca does not pay any commitment fee over the unused amounts.

The effective weighted average interest rates for borrowings, are as follows:

December 31,	2002	2001
Mexican pesos	9.71%	12.57%
U.S. dollars	4.34%	8.98%

The aggregate maturities of long-term debt for each of the following years subsequent to December 31, 2002 and 2001, are as follows:

December 31,	2002	2001
2003		Ps. 248,898
2004	Ps. 1,827,140	1,788,801
2005	10,199	9,386
2006	-	805
	Ps. 1,837,339	Ps. 2,047,890

NOTE 9 – LABOR OBLIGATIONS

Arca has several employees' benefit plans (see Note 3). The valuation of the liabilities for employee retirement plans (pensions, seniority premiums and postretirement benefits), formal or informal, covers all employees included in the plans, and is based primarily on their salary and years of service rendered.

Some of Arca's subsidiaries make voluntary contributions from time to time for the pension, postretirement and seniority premium plans, which are generally, tax deductible. As of December 31, 2002 and 2001, the assets of the pension, postretirement and seniority premium trusts are invested in bonds and securities issued by the Mexican Government.

The following information shows the changes in labor obligations and coverage through funds for the years ended December 31, 2002 and 2001 relative to the balances shown in the consolidated balance sheet.

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December 31,	2002	2001
Change in benefit obligation:		
Benefit obligation at the beginning of the year (Procor)	Ps. 553,816	Ps. 342,228
Benefit obligation at the beginning of the year (Arma)	-	45,527
Benefit obligation at the beginning of the year (Argos)	-	114,700
Service cost	36,343	20,037
Interest cost	27,182	17,664
Actuarial gain	831	17,358
Effect of personnel transferred	(19,661)	-
Benefits paid	(17,838)	(17,304)
Effect of the event of obligation reduction	(3,698)	17,676
Loss from real benefit obligation	(2,204)	(4,070)
Benefit obligation at the end of the year	Ps. 574,771	Ps. 553,816
Change in plan asset:		
Fair value of the plan asset at the beginning of the year (Procor)	Ps. 166,175	Ps. 76,604
Fair value of the plan asset at the beginning of the year (Argos)	-	42,331
Inflationary adjustment of the initial balance	(8,691)	-
Actual return on plan assets	11,368	9,658
Employer contribution	51,031	53,495
Benefit paid	(17,838)	(15,913)
Fair value of the plan asset at the end of the year	Ps. 202,045	Ps. 166,175

Pension, postretirement and seniority premium benefits are paid when they become due.

Procor's postretirement benefit plan was established during 2001. The accounting for health care benefits plan involves assumptions in relation to health care cost trend rates, which have a significant effect on the amounts reported.

Following is a summary of the principal consolidated data relative to these obligations, based on actuarial calculations:

December 31,	2002	2001
Projected benefit obligation	Ps. 574,771	Ps. 553,816
Transition liability	(202,452)	(238,088)
Unamortized actuarial gains and losses	(31,110)	(22,047)
Plan assets	(202,045)	(166,175)
Projected net liability	Ps. 139,164	Ps. 127,506
Accumulated benefit obligation	Ps. 251,640	Ps. 340,628
Plan assets	(202,045)	(166,175)
Accumulated net liability (1)	Ps. 93,156	Ps. 174,453
Minimum additional liability (1)	Ps. 32,283	Ps. 89,004
Intangible asset	(27,966)	(57,342)
Stockholder's equity reduction	Ps. 4,317	Ps. 31,662

(1) *These concepts correspond to the sum of the amounts determined for each one of the subsidiaries that have personnel and for each of the plans established by them.*

December 31,	2002	2001
Average remaining service life (in years):		
Pensions	20	22
Seniority premiums	18	17
Postretirement benefits	19	19

The net service cost for the year consist of the following:

December 31,	2002	2001
Service cost	Ps. 36,343	Ps. 20,132
Financial cost	27,182	7,147
Expected return on assets	(11,062)	(5,576)
Amortization of net transition obligation	16,429	13,700
Amortization of actuarial gains and losses	2,173	474
	Ps, 71,065	Ps. 35,877

The effects of labor obligations were determined based on the original plans of Procor, Arma, Premarsa and Argos (see Note 2).

The transition liability and actuarial gains and losses are recorded through charges to income by the straight-line method over the average remaining service life of the employees expected to receive the benefits.

The following actuarial assumptions were used to determine the present value of accumulated plan benefits for pension plans, postretirement benefits and seniority premiums, in real terms (excluding inflation effects):

December 31,	2002	2001
Weighted discount rate	5%	5%
Estimated return on plan assets	7%	6%
Increase rate in salaries	2%	2%

NOTE 10 - CONTINGENCIES

a) Argos' tax consolidation regime

Argos computes its income tax and asset tax on a consolidated basis.

As from the acquisition of shares of Argos from Inmex and the exchange of shares of Arca for shares of Argos described in Note 2, Argos became a subsidiary of Arca, therefore, it could have lost its character of "controlling company" required to determine consolidated tax results.

In December 2001, Arca's management required the approval of the Ministry of Finance (MF) to transfer Arca the tax consolidation regime authorized to Argos.

In December 2002, the MF authorized a request from the Arca's management. Derived from the aforementioned, there are no taxes, nor fines or surcharges to be paid by Argos for the dividends distributed by their subsidiaries that were not subject to tax, in accordance with the consolidation regime.

b) Bottling agreements

The bottling agreements entered into with TCCC, provide that, unless expressly authorized by TCCC, Arca may not bottle any products other than Coca-Cola products. Arca is currently bottling and distributing some other products under its own brand names. From time to time Arca has had discussions with representatives of TCCC regarding its production and distribution of the products that are not expressly authorized under the applicable bottling agreements. To date, TCCC has not taken any action under the bottling agreements or otherwise to restrict or prevent Arca's production and distribution of these products. In the event that TCCC determines in the future to take any such action, under the terms of the bottling agreements it must first provide notice to Arca and an opportunity to cure any default under the bottling agreements in a given term.

c) The Mexican Antitrust Commission

Pepsi-Cola Mexicana and several other companies filed a complaint with the Mexican Antitrust Commission (MAC), accusing the Mexican bottlers of Coca-Cola products, including some of Arca's subsidiaries of engaging in relative monopolistic practices.

On February 28, 2002 the MAC resolved that:

- The companies shall abstain from participating, implementing or entering into any type of contract, arrangement or commercial strategy through which exclusivity is exercised in stores or businesses that offer carbonated beverages in closed containers of up to 2 liters.

- The companies shall abstain from participating, implementing or entering into any type of contract, arrangement or commercial strategy through which discounts, rewards or promotions are granted, tied to commitments of sales growth, or other factors that induce to refrain from selling products of competitors.

Arca and other bottlers of TCCC individually filed reconsideration resources before the MAC with respect to the resolution. In July 2002, the MAC confirmed its resolution; therefore, Arca has filed appeals against the resolution and other acts of the MAC.

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NOTE 11 - STOCKHOLDERS' EQUITY AND RETAINED EARNINGS

As of December 31, 2002 the stockholders' equity consists of the following:

	Nominal value	Restatement	Total
Stockholders' equity	Ps. 50,000	Ps. 3,800,753	Ps. 3,850,753
Paid-in capital	516,556	21,418	537,974
	566,556	3,822,171	4,388,727
Retained earnings	6,580,694	(828,143)	5,752,551
Cumulative translation adjustment of foreign subsidiary	4,420	-	4,420
Stockholders' reduction from labor obligations	(4,317)	-	(4,317)
Deficit from restatement	-	(1,714,703)	(1,714,703)
	6,580,797	(2,542,846)	4,037,951
Total majority interest	7,147,353	1,279,325	8,426,678
Minority interest	203	-	203
Total stockholders' equity	Ps.7,147,556	Ps.1,279,325	Ps. 8,426,881

The authorized capital stock is variable with a fixed unredeemable minimum of Ps.46,360, and a variable portion that shall not exceed ten times the fixed portion. Arca's capital stock is represented by a single series of shares of common stock, with no par value, issued in registered form, and without ownership restrictions. All the shares of capital stock have identical rights and obligations.

As of December 31, 2002, the Arca's capital stock consists of the following:

	Number of shares
Subscribed fixed capital	434,066,289
Subscribed variable capital	371,953,370
Authorized unsubscribed capital	118,206,749
	924,226,408

In a meeting held on April 23, 2002, the stockholders approved the maximum amount of resources that could be destined to the purchase of own shares at Ps.400,000. During the year ended December 31, 2002, Arca acquired 477,700 shares equal to Ps.9,482. At the date of issuance of these consolidated financial statements, the market value of Arca's shares was Ps.16.31.

Some family-grouped shareholders have transferred to a voting trust established with Banco Mercantil del Norte and Grupo Financiero Banorte, S.A., Institución de Banca Múltiple, as trustee, an aggregate of 427,190,419 shares of common stock, representing 53% of Arca's outstanding capital stock. The voting trust is designed to permit shares held by it to be voted as a single group during all of our shareholder's meetings. The voting trust has a term of 30 years. Pursuant to the voting trust agreement, the shares held in trust will be voted by the trustee pursuant to the instructions of a technical committee or the settlors. For purposes of the delivery of any voting instructions to the trustee, the technical committee shall be subject to the following rules and procedures:

- Any voting instructions with respect to certain material decisions must have been approved by the favorable vote of settlors representing at least 85% of the shares held in trust, including any amendment to Arca's bylaws, an increase in our capital stock, dividend distributions in an amount other than 30% of our net profits for the previous fiscal year, any merger or consolidation, the appointment of the chairman or any vice chairman of the board of directors, Arca's dissolution, the extension of Arca's term, the issuance of preferred shares, the amount Arca may use to buy its own shares, acquisition of companies whose principal business is different than Arca's subsidiaries and whose relevant transaction value exceeds 20% of Arca's capital, the fees to directors and auditor, the appointment of a new auditor and any other matter to be voted upon in an extraordinary shareholder's meeting; and

- Any voting instructions with respect to all other matters must have been approved by the favorable vote of settlors representing at least 65% of the shares held in trust.

Any settlors may, at any time, withdraw his or her shares from the trust. In the event any settlor withdraws any shares from the trust, the remaining settlors (subject to certain preemptive rights) shall be entitled to transfer new shares to the trust in lieu of the shares withdrawn on a pro rata basis.

The settlors may assign their beneficiary rights under the trust, subject to the giving of prior notice to the other settlors and the granting of the right to acquired such beneficiary rights.

The trust may be terminated in advance, at any time, by express written agreement of the settlors holding beneficiary rights in at least 85% of the shares held in trust. The trust can only be modified by written agreement signed between the trustee and all settlors.

All fully paid shares at the time the distribution of dividends is approved by the shareholders meeting shall be entitled to a pro-rata share of such dividend. Any partially paid shares shall be entitled to participate in such dividends in proportion to their paid amount.

In the event of distribution of dividends on earnings not previously taxed, these dividends will incurr in a tax of 51.51%, 49.25% and 47.06% if these are paid during 2003, 2004 and 2005, respectively. The tax incurred will be payable by Arca and may be credited against the tax for the year or that of the following two years. Dividends paid will not be subject to any withholding.

In the case of a capital reduction, any excess of investment of shareholders over balances of contributed capital accounts, will be accorded the same treatment as dividends, in conformity with the procedures established by the Mexican Income Tax Law.

Under Mexican Corporate Law, a company's net profit for each fiscal year (net of all tax provisions, any other statutory provisions, and the amortization of losses from previous year), are subject to the shareholders approval at the general ordinary shareholders meeting and should be allocated as follows:

- Mexican Corporate Law requires appropriation of 5% of annual net income to the legal reserve, until the reserve equals 20% of a company's restated capital stock. This reserve is not available for dividends, but may be used to reduce a deficit or may be transferred to contributed capital.
- Other amounts, as determined by the stockholders may be segregated and allocated to any other general or special reserves.
- The remaining balance, if any, is available for cash dividends to the shareholders.

NOTE 12 – OTHER INCOME (EXPENSE), NET

Other income (expense), net is comprised of the following:

December 31,	2002	2001
Loss from sales and estimates for the disposal of fixed assets [1]	(Ps. 153,884)	(Ps. 84,730)
Return of compensation fees from prior years [2]	66,882	-
Loss on sales of securities [3]	-	(40,075)
Other [4]	44,552	17,602
	(Ps. 42,450)	(Ps. 107,203)

[1] *It corresponds mainly to estimates for the disposal of fixed assets to be considered in the streamlining plan for some of the facilities described in Note 18. Additionally, includes the results from fixed assets sold or otherwise disposed of.*

[2] *Compensation fees paid for the importation of high fructuose during 1999, 2000 and 2001.*

[3] *The investment in shares was sold, as part of the agreements of the merger and exchange of shares process described in Note 2.*

[4] *Includes several concepts such as: income from sale of materials and promotional articles, income from leasing, dividends received from associated companies and others.*

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NOTE 13 - INCOME TAX, ASSET TAX AND EMPLOYEES' PROFIT SHARING

As of 1999, the "controlling companies", as defined by the Income Tax Law, may consolidate for income tax purposes, the results of their subsidiaries for up to 60% of the investment maintained in such subsidiaries.

During 2002, Arca and its subsidiaries, consolidate their results for income and asset tax purposes, except for former Argos companies, which carry out an independent tax consolidation from that of Arca as of December 31, 2002 (see Note 10).

The income tax and employee's profit sharing provision is comprised as follows:

December 31,	2002	2001
Currently payable:		
Income tax	Ps. 797,895	Ps. 593,627
Employees' profit sharing	247,986	176,289
	1,045,881	769,916
Deferred income tax	(121,039)	(51,279)
	Ps. 924,842	Ps. 718,637

The following items represent the principal differences between income taxes computed at the statutory rate and Arca's provision for income tax:

December 31,	2002	2001
Income before income tax and employees' profit sharing	Ps. 2,128,794	Ps. 1,367,144
Statutory tax rate (35%)	Ps. 745,078	Ps. 478,500
Differences between tax and financial accounting for:		
Inventory purchases versus cost of sales	71,496	12,412
Depreciation, amortization and disposal of fixed assets	36,568	27,886
Financing cost related to inflation	(60,699)	44,764
Special tax consolidation items	(27,912)	-
Asset tax	16,418	-
Allowances and other non deductible	16,946	30,065
Current income tax	Ps. 797,895	Ps. 593,627
Effective tax rate	37%	43%

The income tax effect of significant items comprising Arca's net deferred income tax assets and liabilities are as follows:

December 31,	2002	2001
Inventory	Ps. 317,263	Ps. 370,182
Property, plant and equipment	1,054,192	1,162,768
Liabilities for pension plans and seniority premiums	(41,925)	(36,457)
Tax loss carryforwards	(8,050)	(32,037)
Other	(1,707)	(23,644)
Total net deferred income tax liability	Ps. 1,319,773	Ps. 1,440,812

In accordance with the new Mexican Income Tax Law, effective January 1, 2002, the current income tax rate of 35% will be reduced annually by 1% beginning 2003 to 2005, to a nominal rate of 32%. The effect of the new rate causes a decrease in deferred income tax liability and a benefit to income of approximately Ps.117,804.

At December 31, 2002, Arca has tax loss carryforwards of approximately Ps.25,158 available to offset against future taxable income. Tax loss carryforwards can be carried forward for a period of ten years from the date they were generated. The expiration year of tax loss carryforwards is 2008.

Asset tax is calculated at the rate of 1.8% on the net value of certain assets and liabilities and is due only when asset tax exceeds the income tax payable. Asset tax paid may be recovered over the following ten years, if and when income taxes exceed asset tax during such years.

Employees' profit sharing is determined at the rate of 10% on the taxable income adjusted as prescribed by the Income Tax Law.

NOTE 14 - FOREIGN CURRENCY POSITION

At December 31, 2002 and 2001, the exchange rates were: 10.36 and 9.17 nominal pesos to the dollar, respectively.

As of December 31, 2001 and 2002, Arca had the following foreign currency assets and liabilities:

December 31,		2002		2001
Monetary assets	US$	29,709,000	US$	34,389,000
Monetary liabilities (1)		(25,017,000)		(198,149,000)
Net monetary position	US$	4,692,000	(US$	163,760,000)
Non-monetary assets	US$	221,856,213	US$	232,299,000

(1) *The syndicated loan of US$180 million referred to in Notes 2 and 8, is financially considered in foreign currency for only US$10 million due to the foreign currency exchange contracts in the amount of US$170 million mentioned in Note 17.*

Arca's foreign currencies transactions were as follows:

December 31,		2002		2001
Sales	US$	13,021,000	US$	10,895,000
Purchase of raw material		(5,073,000)		(11,688,000)
Purchase of fixed assets		1,741,000		6,416,000

At March 7, 2003, date of issuance of these audited financial statements, the exchange rate was Ps.11.23 pesos to the US dollar.

NOTE 15 - BUSINESS SEGMENTS

During 2001, as a consequence of Arca's merger with Arma and Premarsa and the acquisition of Argos, Arca identified reportable segments based on the new method of internal reporting. Arca's new reportable segments are strategic business units that offer Arca's products in different geographic regions. During 2002, Arca implemented some plans to manage both business units and eliminate any operational distinctions between the Western division and the Eastern division.

Due to the aforementioned, no segmented financial information is included.

Arca's sales by product, expressed in percentage of units sold, are as follows:

December 31,	2002	2001
Coca-Cola	69.6%	70.8%
Coca-Cola Light	6.2%	6.0%
Flavors	22.0%	20.4%
Bottled water	2.0%	2.6%
Other	0.2%	0.2%
	100%	100%

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NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

As required by the Mexican Stock Exchange Law and Arca's bylaws, Arca is required to appoint and maintain an Audit Committee. Some of its activities are:

a. Evaluate and approve any transactions that involves any shareholder that owns more than 0.2% of Arca's capital stock and an amount greater than US$500,000 during any calendar year;

b. Make a recommendation to the Board of Directors whether or not to approve any related-party transactions that are out of the ordinary course of business.

The main balances due from (due to) related parties are as follows:

December 31,	2002	2001
Innovadora de Esencias Aromas y Sabores, S. A. de C. V. (Ideas) (1)	(Ps. 618)	(Ps. 3,990)
Transportes Especializados Regiomontanos, S. A. de C. V. (Tersa) (2)	320	(1,153)
Transportes Frontera de Chihuahua, S. A. de C. V. (TFC) (3)	(1,144)	446
Criotec, S. A. de C. V. (Criotec) (4)	(6,975)	(737)
Desarrolladora Corporativa, S. A. de C. V. (Descorp) (5)	(1,963)	(21)
Sistema Axis, S. A. (Saxis) (6)	-	9,102
Componentes de Vehículos Recreativos, S. A. de C. V. (Coveresa) (7)	(64)	(367)
Fevisa Industrial, S. A. de C. V. (Fevisa) (8)	(1,308)	(497)
Industria Envasadora de Querétaro, S. A. de C. V. (Envasa) (9)	(2,965)	(11,426)
Promotora Mexicana de Embotelladoras, S. A. de C. V. (Promesa) (10)	(14,481)	(1,288)
Novamex, S. A. de C. V. (11)	734	4,182
Inversora y Desarrolladora, S. A.	-	92
	(Ps. 28,464)	(Ps. 5,657)

The main transactions with related parties were as follows:

December 31,	2002	2001
Revenues:		
Sales of bottles and products (11)	Ps. 44,383	Ps. 210,197
Lease (12)	-	2,888
	44,383	213,085
Costs:		
Purchase of concentrate (1)	(Ps. 58,030)	(Ps. 50,413)
Freights (2) (3)	(89,910)	(97,561)
Acquisition of refrigerators (4)	(36,427)	(30,336)
Securities sales (5)	-	(51,828)
Fixed assets sales (5)	-	(20,458)
Lease expenses (6)	(4,010)	(4,213)
Purchase of bottles (8)	(1,300)	(423)
Purchase of cans (9)	(283,113)	(197,523)
Purchase of sugar (10)	(1,225,698)	(605,215)
Bodyworks (13)	(6,267)	-
Monitoring services of vending machines (14)	(16,000)	-
Insurances (15)	(16,200)	(15,100)
	(1,736,955)	(1,073,070)
	(Ps.1,692,572)	(Ps. 859,985)

(1) *Arca purchases the concentrate for its Joya products from Ideas, a company owned by some of Arca's stockholders. Additionally, Arca leases some properties to Ideas.*

(2) *Tersa is a transportation company owned by some of the Arca's shareholders. Tersa provides Arca with distribution services of finished products from some of the plants to several warehouse distribution centers located in other cities in the states of Nuevo Leon and Tamaulipas.*

(3) *TFC is a company majority owned by some of Arca's shareholders. TFC provides Arca with distribution services of products from the Culiacan, Obregon and Hermosillo plants to various warehouse distribution centers in the states of Sonora and Sinaloa.*

(4) *Arca acquires refrigerators, freezers, and spare parts from Criotec, a company owned by one of Arca's shareholders.*

(5) *Descorp is a company owned by some of Arca's shareholders. During 2001, Descorp acquired some of the fixed assets from former Procor companies and acquired some marketable securities.*

(6) *Saxis is a company owned by some Arca's shareholders. Arca leases from Saxis some buildings. Additionally, Saxis acquired some fixed assets from Argos' prior to Arca's acquisition. Similarly, Saxis leases some properties from Arca.*

(7) *Arca purchases bodyworks for its soft drink delivery trucks from Coveresa, a company owned by some of Arca's shareholders.*

(8) *Arca purchases glass returnable bottles from Fevisa, a company owned by some of the Arca's shareholders.*

(9) *Envasa supplies Arca with cans for some Coca-Cola brand beverages. Arca owns 23.6% interest in Envasa.*

(10) *Arca owns 20% interest in Promesa. Promesa is one of Arca's sugar suppliers.*

(11) *Novamex is a subsidiary of Saxis.*

(12) *Barvi owned and leased to Ideas and Tersa several buildings and other real property prior to July 2001, when it disposed of the properties and terminated the leasing agreements with both.*

(13) *Industria Carrocera San Roberto, S. A. de C. V., owned by one of Arca's stockholders, provides Arca with bodyworks for its transportation and distribution equipment.*

(14) *EON México, S.A. de C.V., owned by one of Arca's stockholders, provides Arca with the monitoring and communication services for its vending machines.*

(15) *Arca acquires some insurance policies through the daughter of one of its major stockholders.*

NOTE 17 - FINANCIAL INSTRUMENTS

On June 7, 2002, Arca entered into an operation contract for the exchange of foreign currency with Bank of America México (BAMSA). In accordance with the contract, BAMSA is obliged to pay Arca US$70 million at the date of maturity, as well as to pay interests quarterly at a Libor rate plus 1 to 1.25%. Also, Arca is obliged to pay BAMSA Ps.697,200 at the date of maturity, as well as to pay interests quarterly at a fixed rate of 11.495%. The contract expires on December 7, 2004.

On June 14, 2002, Arca entered into an operation contract for the exchange of foreign currency with Wachovia Bank, National Association (Wachovia). In accorance with the contract, Wachovia is obliged to pay Arca US$100 million at the date of maturity, as well as to pay interests quarterly at a Libor rate plus 1 to 1.25%. Also, Arca is obliged to pay Wachovia Ps.985,000 at the date of maturity, as well as to pay interests quarterly at a fixed rate of 10.55%. The contract expires on November 30, 2004.

The effect in income from these instruments was the following:

		BAMSA		Wachovia
Interest paid	Ps.	34,792	Ps.	43,579
Exchange gain		28,091		51,130

i. Fair value of financial instruments

The fair (market) value of the financial instruments of Arca at December 31, 2002 is the following:

		Market recorded		Value recorded
Financial assets, net:				
Foreign currency exchange				
transaction with Wachovia	Ps.	43,655	Ps.	49,689
Foreign currency exchange				
transaction with BAMSA		24,150		15,052

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NOTE 18 – SUBSEQUENT EVENT

On February 25, 2003, the Board of Directors approved the following plans, among others:

- A streamlining plan of its facilities and distribution centers, and a savings plan for centralized purchases.
- A corporate reorganization plan, which includes changes in the organizational structure, improvement of administrative personnel and the merger of some subsidiaries.
- A reorganization plan that comprises the reduction of personnel in some plants.

Arca's management estimates that such plans will be carried out between twelve and twenty four months period and that these will reduce their costs in an estimated amount of annual Ps.320,000, which will have a positive effect on their income in as much as Arca advances in their implementation. Since February 2003, Arca records monthly estimates from non-recurrent costs related to these plans in the amount of Ps.18,000 reducing its income, most of which will not affect operating flows, since they correspond to assets that are not being used.

Francisco Garza E.
Chief Executive Officer

Adrián Wong B.
Chief Financial Officer

Glossary

Arca: Embotelladoras Arca, S.A. de C.V., formerly Proyección Corporativa, S.A. de C.V.

Argos: Embotelladoras Argos, S.A.

Arma: Empresas El Carmen, S.A. de C.V.

Client: Store or establishment that sells Company's products to consumers.

Consumer: Individual who purchases the Company's products from a point of sale.

Category or Segment: The grouping of competing products with similar characteristics in flavor (Colas, flavors, etc.), caloric content (diet soft drinks), and type of liquid (soft drinks, milks, sport drinks, etc.).

Format: The amount of bottles used in the marketing of the product (6-pack, 12-pack, etc.).

Hand Held: Electronic device used by sales force for order taking.

ITAM: Instituto Tecnológico Autónomo de México.

ITESM: Instituto Tecnológico y de Estudios Superiores de Monterrey.

IPADE: Instituto Panamericano de Alta Dirección de Empresas.

MUC: Million Unit Cases.

Post-Mix Machine: Soft drink dispenser that mixes carbonated water with concentrated syrup. Mainly found in restaurants, cafeterias and schools.

PET: Non-returnable plastic container.

Presentation: The amount of liquid contained in the product (2 lt. PET, 12 oz. glass returnable, etc.).

Product: The minimum unit sold to the consumer.

Pre-sale System: System of visiting points of sale prior to delivery of products, during which specific orders are taken for each point sale. This optimizes product delivery and the product load carried by each distribution truck.

REF-PET: Returnable plastic container.

UACH: Universidad Autónoma de Chihuahua.

Unit Case: Unit of measurement used in the beverage industry; equivalent to 24 eight-ounce servings.

Vending Machine: Non-returnable soft-drink dispenser that operates with coins.

Investor relations

Monterrey
Carlos Beltrán del Río
Lucía Barrera
Ave. San Jerónimo 813 Pte.
Col. San Jerónimo
64640 Monterrey, Nuevo León, México
Tel: (52-81) 8151-1443
ir@e-arca.com.mx
www.e-arca.com.mx

New York
Melanie Carpenter
María Barona
i-advize Corporate Communications
Tel: (212) 406-3692
arca@i-advize.com

COTIZA EN BOLSA MEXICANA DE VALORES
ARCA

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Corporate headquarters

Ave. San Jerónimo 813 Pte.
Col. San Jerónimo
64640 Monterrey, Nuevo León, México
Tel: (52-81) 8151-1400
www.e-arca.com.mx