United to create value

ANNUAL REPORT 2001

EMBOTELLADORAS ARCA

CORPORATE 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 cover** projects the expected benefits of the merger of three of the oldest bottlers in Mexico.*

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FINANCIAL HIGHLIGHTS*

Million of pesos of December 31, 2001 purchasing power, except volumes, average price and per share data

	2001	2000	1999
Sales volumes (million of unit cases) [1]			
Eastern division	228.9	247.1	250.9
Western division	173.9	172.5	160.9
Total	402.8	419.6	411.8
Net sales	13,100	12,836	11,596
Average price (pesos/unit case)	32.5	30.6	28.2
Gross margin	53.6%	50.5%	45.6%
Operating income [2]	2,635	2,618	1,710
EBITDA [3]	3,296	3,268	2,340
Earnings before income taxes and employee profit sharing [4]	2,611	2,493	1,726
Net income [4]	1,367	1,412	940
Total assets	12,306	12,031	11,455
Stockholders' equity (majority interest)	7,405	8,606	7,902
Capital expenditures, net	540	665	750
Per share data [5]			
Net income [4]	1.70	1.75	1.17
Book value	9.19	10.68	9.80

* Pro forma figures, for comparative purposes only. These were created as if Embotelladoras Argos, S.A., Empresas El Carmen, S.A. de C.V., and Promotora Empresarial Arma S.A. de C.V. had formed part of Embotelladoras Arca, S.A. de C.V. since January 1 of 1999, 2000 and 2001.

[1] Excludes sales of water in jugs (59.2 MUC in 2001 and 54.9 MUC in 2000), as well as exports and sales of Topo Chico products outside of Arca´s territories (3.6 MUC in 2001 and 5.8 MUC in 2000).

[2] Excludes merger related expenses for a total of 55.4 million during 2001, which the Company considers non-recurring.

[3] Operating income plus depreciation and amortization of goodwill. For 2001, merger related expenses were also excluded, as mentioned in note 2.

[4] 2001 excludes merger related expenses as mentioned in note 2, as well as Ps. 108 million extraordinary net losses.

[5] Based on 806,019,659 shares outstanding.

ARGOS

Founded in 1926 and *Coca-Cola* bottler since 1936. Argos brings to the merger 7 bottling plants located in the states of Chihuahua, Sonora, Sinaloa and Baja California, as well as 3 plastic bottle production plants. In 2000, its sales volume was 151.8 million unit cases.

ARMA

Began in 1918 with an ice factory and started bottling *Coca-Cola* products in 1926. Prior to the merger, Arma operated 7 soft drink bottling plants in the states of Coahuila, San Luis Potosí, Sinaloa and Baja California Sur, and one plastic bottle blowing plant. In 2000, its sales volume was 79.5 million unit cases.

PROCOR

Its origins date back to 1895 when the Topo Chico Company began bottling mineral water. It became a *Coca-Cola* bottler in Mexico in 1926. Up until the merger, Procor had 7 plants in the states of Nuevo León and Tamaulipas and produced plastic bottles in 2 plants. In 2000, its sales volume was 194.0 million unit cases.

Resulting from the merger of three of the oldest bottlers in Mexico – Argos, Arma and Procor – Embotelladoras Arca, S.A. de C.V. emerges with the commitment of creating and multiplying value, by providing the best service and a complete portfolio of products with optimal levels of quality, convenience and brand recognition, thus achieving high productivity levels with the goal of giving an attractive return to its shareholders while promoting community development.

Geographic Distribution

GEOGRAPHIC DISTRIBUTION

(Note: The map of Mexico is divided according to the various territories defined by *The Coca-Cola Company*)

Note: All of the subsidiaries in both the Eastern and Western Divisions are "S.A. de C.V."

Western Division

1. Embotelladora de la Frontera
- *Ciudad Juárez, Chih. serves 1,431,000 people*

2. Cía. Embotelladora de Culiacán
- *Culiacán, Sin. serves 1,124,000 people*

3. Embotelladora de Mexicali
- *Mexicali, B.C. serves 971,000 people*

4. Embotelladora de Chihuahua
- *Chihuahua, Chih. serves 746,000 people*

5. Embotelladora Pitic
- *Hermosillo, Son. serves 1,006,000 people*

6. Cía. Embotelladora del Pacífico
- *Mazatlán, Sin. serves 587,000 people*

7. Cía. Embotelladora de Nueva Obregón
- *Ciudad Obregón, Son. serves 677,000 people*

8. Cía. Embotelladora de Baja California Sur
- *La Paz, B.C.S. serves 437,000 people*

9. Refrigeradora de Parral
- *Hidalgo del Parral, Chih. serves 322,000 people*

Eastern Division

10. Bebidas Mundiales *
- *Monterrey, N.L. serves 3,800,000 people*

11. Embotelladora El Carmen
- *Saltillo, Coah. serves 732,000 people*

12. Embotelladora de Reynosa
- *Reynosa, Tams. serves 604,000 people*

13. Embotelladora Tamaulipeca
- *Matamoros, Tams. serves 557,000 people*

14. Embotelladora Internacional
- *Nuevo Laredo, Tams. serves 338,000 people*

15. Embotelladora de Monclova
- *Monclova, Coah. serves 371,000 people*

16. Embotelladoras del Norte de Coahuila
- *Piedras Negras, Coah. serves 297,000 people*

17. Cía. Embotelladora de Sabinas
- *Sabinas, Coah. serves 172,000 people*

18. Cía. Topo Chico *
- *Monterrey, N.L. serves 3,800,000 people*

19. Refrescos de Matehuala
- *Matehuala, S.L.P. serves 202,000 people*

* Serve the same territories.

Total number of people that Arca serves

14,373,000

Embotelladora de la Frontera
Ciudad Juárez Plant
Ciudad Juárez, Chihuahua

Embotelladora El Carmen
Plant I
Saltillo, Coahuila

Bebidas Mundiales
Insurgentes Plant
Monterrey, Nuevo León

Letter to our shareholders

DEAR SHAREHOLDERS:

Senior Executive Committee
of Embotelladoras Arca, S.A. de C.V.
From left to right:
Eduardo Ángel Elizondo Barragán, Emilio Antonio Arizpe y de la Maza, Miguel Antonio Fernández Iturriza y Luis Lauro González Barragán.

2001 was a monumental year for our families, our shareholders and the *Coca-Cola* bottling system in Mexico. What many thought to be an impossible task, became a reality. Lately, mergers of family-owned companies have been uncommon, not only in Mexico, but also in other parts of the world. The incorporation of Arca has demonstrated that the union and coexistence of various personal and family interests is feasible when it is oriented towards increasing results, to reach higher goals that would otherwise be difficult to achieve.

What began as a friendly conversation among the family owners of three of the oldest *Coca-Cola* bottlers in Mexico – Argos, Arma and Procor – resulted in their merger and the creation of Embotelladoras Arca S.A. de C.V. Arca is now the second-largest *Coca-Cola* bottler in Mexico and the exclusive bottler serving a large part of the Northern region of the country.

Completing the incorporation of Arca on schedule and within the previously established framework was a success in and of itself. The first step was the merger of Procor and Arma, which took place during August and September of 2001. In December 2001, a tender offer for Argos shares and the reciprocal subscription of Arca shares was completed. Over 99.6% of Argos' shares were tendered for Arca shares at a 1:1 ratio and a price of Ps. 22.50 per share. These figures clearly indicated shareholders' acceptance of the three-way merger. At the same time, we acquired *The Coca-Cola Company's* stakes in Arma and Argos for a total of US$194 million.

Today, Arca is a company with annual sales of over Ps. 13.1 billion, close to Ps. 12.3 billion in total assets and a market capitalization of approximately US$ 2 billion. Arca sells over 400 million unit cases per year reaching approximately 14 million people in a territory with one of the highest per capita consumption rates of *Coca-Cola* in the world. We are confident that our closeness with our customers enables us to better satisfy their needs. To achieve this, we rely on the efforts and valuable collaboration of over 17,000 employees; we currently have 21 bottling plants, 85 distribution centers, 2,500 delivery trucks and close to 156,000 refrigerators and vending machines.

The incorporation of Arca has demonstrated that the union and coexistence of various personal and family interests is feasible when it is oriented towards increasing results, to reach higher goals that would otherwise be difficult to achieve.

Since completing the formation of Embotelladoras Arca in December of 2001, we have been working diligently to combine our operations, define our corporate strategy and achieve the synergies that are the main reasons for this merger. Currently, we are identifying and capitalizing on the strengths and opportunities that exist in each of our markets.

The economic recession experienced in both the U.S. and Mexico throughout 2001, coupled with a strong Mexican peso, caused a slight decline in economic activity in practically all of our territories. For the first time in more than a decade, the maquiladora industry contracted significantly and unemployment reached record levels in all of the border states. However, to exceed our consumers´ expectations, we worked diligently to improve our high quality standards, adequate product mix and availability of our products.

Arca's pro forma sales volume reached 406.5 million unit cases in 2001, 4.4% below the previous year mainly due to the economic slowdown, unfavorable weather conditions and a significant price increase in soft drinks in the Eastern Division. Despite this, pro forma net sales in 2001 increased by 2.1% compared to 2000, with an operating margin (excluding merger-related expenses) of 20.1%. Due to the already low cost structure of our predecessors, pro forma net income per share (excluding merger-related expenses and losses) was Ps. 1.70, below the Ps. 1.75 reported for 2000.

In our Eastern Division, which includes several of the cities with the highest per capita *Coca-Cola* consumption rates in the world, sales volumes reached 228.9 million unit cases, down 7.3%. This was largely due to the 22% increase in soft drink prices during March of 2001, as well as the previously mentioned economic slowdown. In this division, we had a market share of 79% in 2001, slightly below 81.6% achieved in 2000.

2002 will be a year of intense work and reorganization for us. As we strive to reach our goal of creating value, we will continue to reap the benefits of this merger through teamwork, continuously focused on productivity and creativity.

The Western Division serves the cities with the highest population growth and greatest concentration of maquiladoras in Mexico. This division achieved sales volumes of 173.9 million unit cases in 2001, up 0.8% from 2000. Thus, the market share of the Western Division remained practically flat, from 83.6% in 2000 to 83.1% in 2001.

Throughout our markets, we continue seeing clear trends in consumer tastes and packaging preferences. The accessibility of soft drinks for the consumer continues to play an increasingly important role in sales. This is reflected in the higher demand for non-returnable presentations, which grew 11.5% during 2001, representing 32.5% of our total volume, compared to 28.0% in 2000. The *Coca-Cola* brands contributed 88.0% of our total sales volume in 2001, which was in line with the 87.7% reported in 2000.

2002 will be a year of intense work and reorganization for us. As we strive to reach our goal of creating value, we will continue to reap the benefits of this merger through teamwork, continuously focused on productivity and creativity. Our clients and consumers seek quality, convenience and brand recognition in our products; therefore, we are determined to optimize our structure in order to exceed their expectations.

We are excited to work together to continue the traditions of quality, service and social responsibility that were established and shared by our forefathers over 80 years ago. We proudly accept the task of successfully managing this great company through a new era.

Just as *The Coca-Cola Company* demonstrated its trust in us during these negotiations, we reaffirm our commitment to the most recognized brand in the world; we will work with *Coca-Cola* to launch products that not only satisfy our consumers' needs but are also profitable to both parties.

On behalf of the members of the Arizpe, Barragán and Fernández families, we profoundly express our thanks to the management team and employees of Arca for their hard work and patience in helping us make this merger happen. Their loyalty and dedication will be rewarded as they see the fruits of their efforts transform Arca into one of the leading bottlers in Mexico.

We also thank our shareholders for instilling their trust in us and we reaffirm our commitment to continuously add value for all. The experiences and expertise of our predecessors, the knowledge and professionalism of our employees as well as the operating and financial synergies that are generated will enable this great company to reach those goals that were once unattainable.

Based on the traditional values of our founders, taking advantage and multiplying the new opportunities that this merger brings, we look forward to a promising future for Embotelladoras Arca.

Yours truly,

Miguel A. Fernández Iturriza
Chairman of the Board and Chief Executive Officer

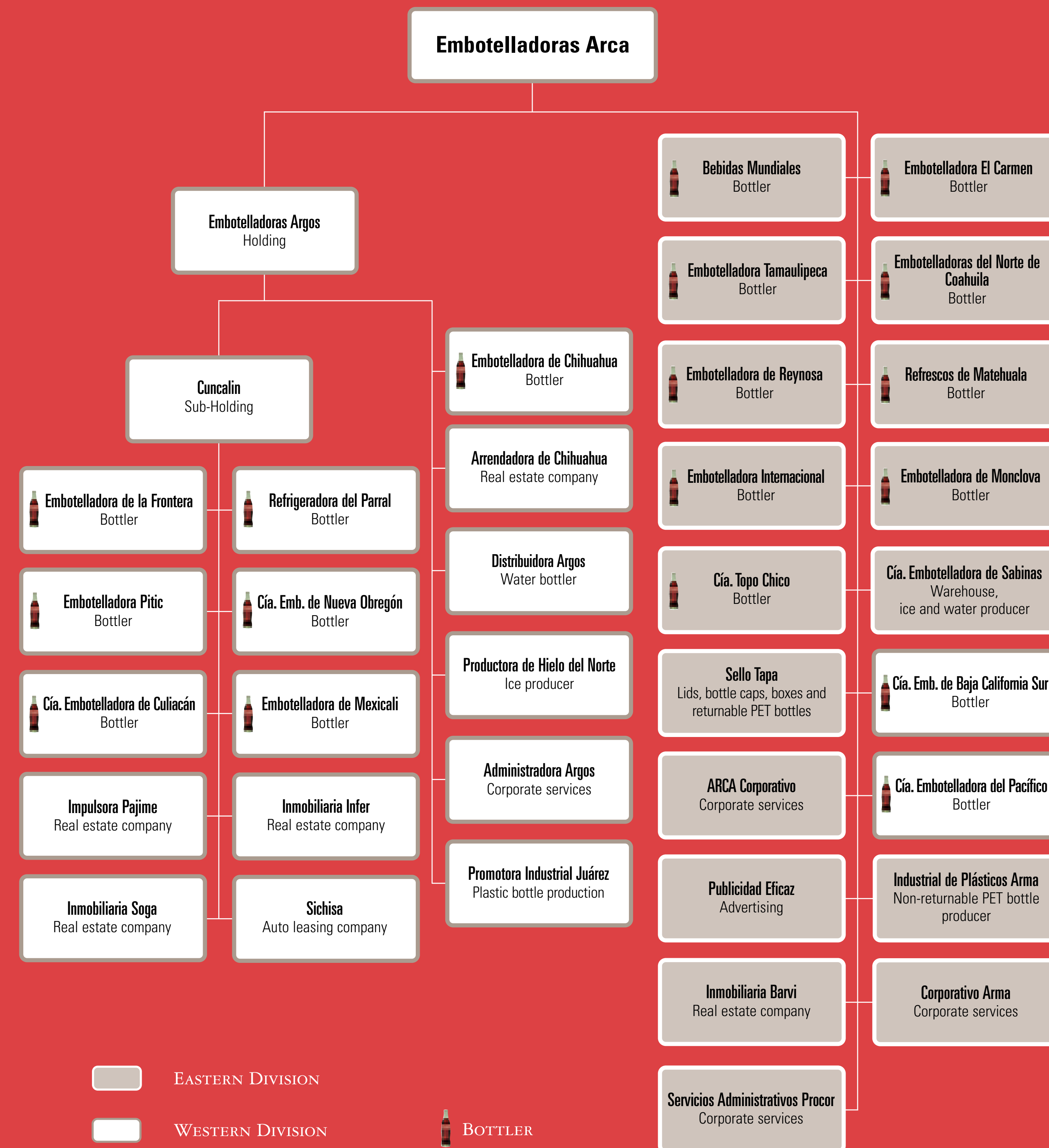
ORGANIZATION CHART OF THE NEW COMPANY

To face the new challenges, the corporate structure is based on two geographic divisions, which have similar organizational structures and are each led by a Chief Operating Officer.

The new organizational structure of Arca provides significant competitive advantages, not only due to its composition but also due to the organizational processes that it generates:

- It centralizes and enables the sharing of knowledge and experiences obtained in the various regions, but at the same time it provides flexibility to adopt different strategies depending on the competitive environment of each territory.
- It places the management of the company in the hands of professionals.
- It generates savings at all levels of the operation through economies of scale.

CORPORATE STRUCTURE



Note: All subsidiaries are "S.A. de C.V." except Embotelladoras Argos and Servicios Administrativos Procor.

EASTERN DIVISION

Bebidas Mundiales, S.A. de C.V.

City: Monterrey, N.L.
Number of plants: 3
Distribution centers [1]*:* 8
Routes: 677
Annual installed capacity [2]*:* 306.5
Capacity utilization rate (%) [3]*:* 40.8
Number of clients: 50,909

Embotelladora El Carmen, S.A. de C.V.

City: Saltillo, Coah.
Number of plants: 2
Distribution centers [1]*:* 8
Routes: 145
Annual installed capacity [2]*:* 94.8
Capacity utilization rate (%) [3]*:* 31.5
Number of clients: 11,183

Embotelladora de Reynosa, S.A. de C.V.

City: Reynosa, Tams.
Number of plants: 1
Distribution centers [1]*:* 3
Routes: 120
Annual installed capacity [2]*:* 38.4
Capacity utilization rate (%) [3]*:* 19.9
Number of clients: 9,651

Embotelladora Tamaulipeca, S.A. de C.V.

City: Matamoros, Tams.
Number of plants: 1
Distribution centers [1]*:* 3
Routes: 107
Annual installed capacity [2]*:* 44.8
Capacity utilization rate (%) [3]*:* 45.7
Number of clients: 8,759

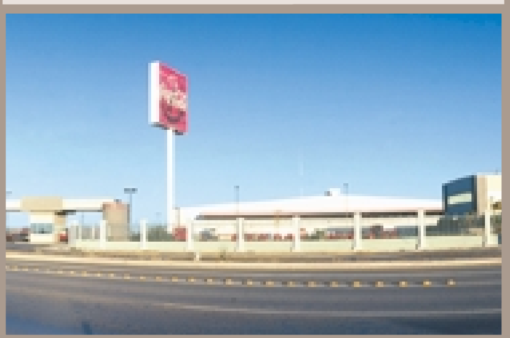
Embotelladora Internacional, S.A. de C.V.

City: Nuevo Laredo, Tams.
Number of plants: 1
Distribution centers [1]*:* 2
Routes: 77
Annual installed capacity [2]*:* 21.1
Capacity utilization rate (%) [3]*:* 25.7
Number of clients: 4,617

Embotelladora de Monclova, S.A. de C.V.

City: Monclova, Coah.
Number of plants: 1
Distribution centers [1]*:* 3
Routes: 60
Annual installed capacity [2]*:* 28.5
Capacity utilization rate (%) [3]*:* 16.8
Number of clients: 6,379

Embotelladoras del Norte de Coahuila, S.A. de C.V.



City: Piedras Negras, Coah.
Number of plants: 1
Distribution centers [1]*:* 3
Routes: 52
Annual installed capacity [2]*:* 28.9
Capacity utilization rate (%) [3]*:* 43.9
Number of clients: 4,294

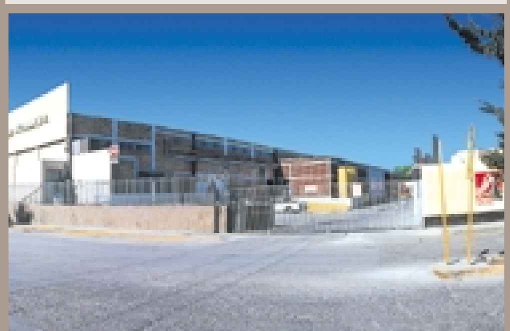
Cía. Embotelladora de Sabinas, S.A. de C.V. [4]

City: Sabinas, Coah.
Number of plants: 0
Distribution centers [1]*:* 3
Routes: 43
Annual installed capacity [2]*:* 0
Capacity utilization rate (%) [3]*:* 0
Number of clients: 2,105

Cía. Topo Chico, S.A. de C.V.

City: Monterrey, N.L.
Number of plants: 1
Distribution centers [1]*:* 5
Routes [5]*:* 677
Annual installed capacity [2]*:* 55.8
Capacity utilization rate (%) [3]*:* 18.3
Number of clients: 4,011

Refrescos de Matehuala, S.A. de C.V.



City: Matehuala, S.L.P.
Number of plants: 1
Distribution centers [1]*:* 3
Routes: 38
Annual installed capacity [2]*:* 11.7
Capacity utilization rate (%) [3]*:* 16.8
Number of clients: 3,485

(1) There are 64 distribution centers. However, all 21 plants also serve as distribution centers, for a total of 85.

(2) Annual installed capacity is measured based on the following: 18.75 hours per day, with 25 days of production each months for 12 months. In addition, 100% capacity utilization is assumed for all of the bottling lines when calculating installed capacity.

(3) This figure was calculated by dividing the production of each plant in 2001 by its installed capacity as of December 2001.

(4) The Sabinas bottler was closed in April of 2000. It currently serves only as a warehouse and distribution center. It did not produce in 2001 but its sales are still registered under this territory.

(5) Cia. Topo Chico uses the same routes as Bebidas Mundiales.

WESTERN DIVISION

Embotelladora de la Frontera, S.A. de C.V.

City: Cd. Juárez, Chih.
Number of plants: 1
Distribution centers [1]*:* 7
Routes: 108
Annual installed capacity [2]*:* 84.4
Capacity utilization rate (%) [3]*:* 49.4
Number of clients: 12,241

Cía. Embotelladora de Culiacán, S.A. de C.V.

City: Culiacán, Sin.
Number of plants: 1
Distribution centers [1]*:* 4
Routes: 113
Annual installed capacity [2]*:* 63
Capacity utilization rate (%) [3]*:* 46.7
Number of clients: 13,343

Embotelladora de Mexicali, S.A. de C.V.

City: Mexicali, B.C.
Number of plants: 1
Distribution centers [1]*:* 6
Routes: 88
Annual installed capacity [2]*:* 81.6
Capacity utilization rate (%) [3]*:* 36.9
Number of clients: 10,026

Embotelladora de Chihuahua, S.A. de C.V.

City: Chihuahua, Chih.
Number of plants: 1
Distribution centers [1]*:* 1
Routes: 78
Annual installed capacity [2]*:* 86.1
Capacity utilization rate (%) [3]*:* 20.2
Number of clients: 8,031

Embotelladora Pitic, S.A. de C.V.

City: Hermosillo, Son.
Number of plants: 1
Distribution centers [1]*:* 5
Routes: 83
Annual installed capacity [2]*:* 46.3
Capacity utilization rate (%) [3]*:* 47
Number of clients: 8,492

Cía. Embotelladora del Pacífico, S.A. de C.V.

City: Mazatlán, Sin.
Number of plants: 1
Distribution centers [1]*:* 6
Routes: 79
Annual installed capacity [2]*:* 32.5
Capacity utilization rate (%) [3]*:* 33.5
Number of clients: 10,161

Cía. Embotelladora de Nueva Obregón, S.A. de C.V.

City: Cd. Obregón, Son.
Number of plants: 1
Distribution centers [1]*:* 4
Routes: 53
Annual installed capacity [2]*:* 38.3
Capacity utilization rate (%) [3]*:* 46.2
Number of clients: 7,714

Cía. Embotelladora de Baja California Sur, S.A. de C.V.

City: La Paz, B.C.S.
Number of plants: 1
Distribution centers [1]*:* 7
Routes: 73
Annual installed capacity [2]*:* 25.8
Capacity utilization rate (%) [3]*:* 30.9
Number of clients: 6,001

Refrigeradora de Parral, S.A. de C.V.

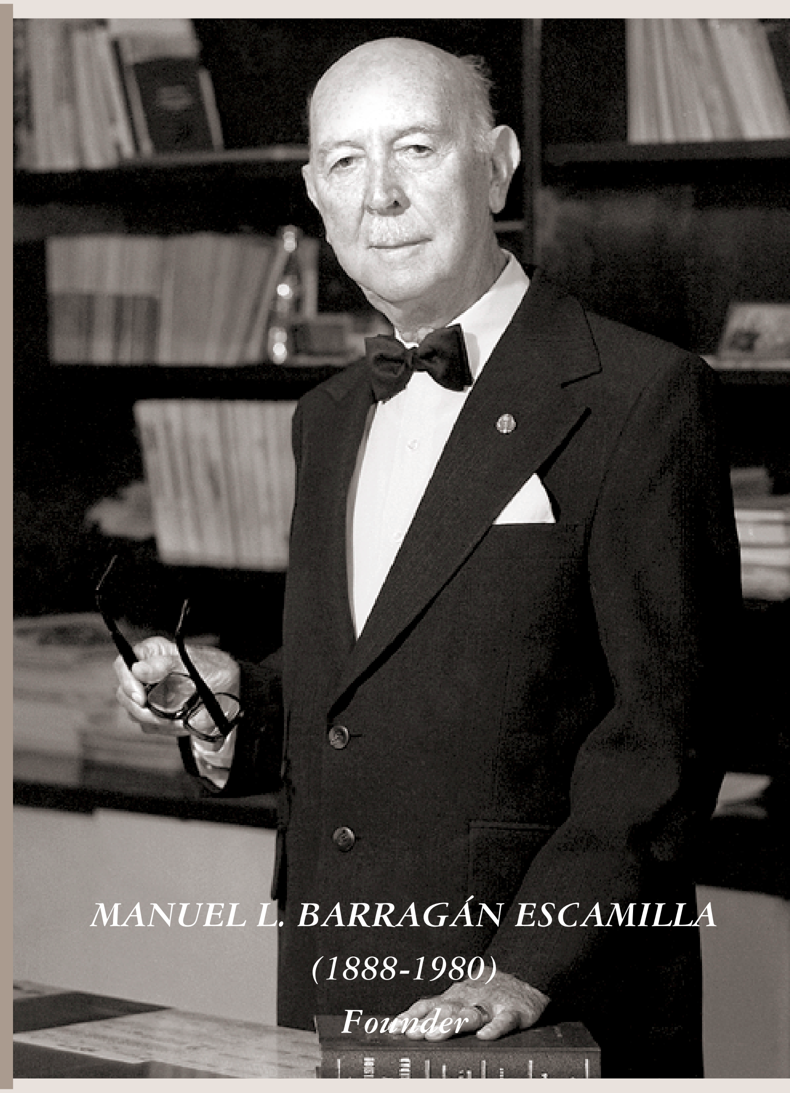
City: H. del Parral, Chih.
Number of plants: 1
Distribution centers [1]*:* 4
Routes: 32
Annual installed capacity [2]*:* 28.5
Capacity utilization rate (%) [3]*:* 10.6
Number of clients: 5,213

Total	Eastern Division	Western Division	Arca
Number of plants:	12	9	21
Distribution centers [1]:	41	44	85
Routes:	1,319	707	2,026
Annual installed capacity [2]:	630	487	1,117
Capacity utilization rate (%) [3]:	34.6	36.3	35.3
Number of clients:	105,393	81,222	186,615

(1) There are 64 distribution centers. However, all 21 plants also serve as distribution centers, for a total of 85.
(2) Annual installed capacity is measured based on the following: 18.75 hours per day, with 25 days of production each months for 12 months. In addition, 100% capacity utilization is assumed for all of the bottling lines when calculating installed capacity.
(3) This figure was calculated by dividing the production of each plant in 2001 by its installed capacity as of December 2001.

Compañía Topo Chico,
Monterrey, N.L.

Procor



MANUEL L. BARRAGÁN ESCAMILLA
(1888-1980)
Founder

Born in Monterrey, Nuevo León and married to Mrs. María de Jesús Villarreal González, Mr. Manuel L. Barragán Escamilla began working in 1914 in the sales department of Compañía Topo Chico, which bottled mineral water and flavored soft drinks.

United to grow

KEY STEPS OF THE MERGER

The merger between Argos, Arma and Procor was a success in and of itself, as evidenced by the seamless steps taken to form Arca.

- **2000**. During the last quarter of the year, the Barragán family, who were the shareholders of Procor, initiated talks with the Arizpe and Fernández families, shareholders of Arma and Argos, respectively, and held various meetings to analyze the possibility of merging their three companies to form one single bottling company.
- **2001**. In January, they met with the directors of *The Coca-Cola Company* in Atlanta and received their approval for the merger to take place.
- **2001**. With the support of accounting advisors, legal counsel and investment bankers, they designed a structure for the transaction in which the three companies would be integrated.
- **2001**. On May 30, with the results of the audit and valuation analysis conducted by the financial advisors, the majority shareholders of Argos, Arma and Procor signed an agreement to merge their companies.

Bebidas Mundiales, Insurgentes Plant • *Monterrey, N.L.*

1926

1926 Compañía Topo Chico becomes the first Coca-Cola bottler in Mexico by obtaining the exclusive license to bottle and distribute its products throughout the Monterrey region.

1920

1920 Due to the political and economic instability in Mexico, the shareholders of Topo Chico decide to sell their shares to Mr. Manuel L. Barragán and Mr. Leonides Páez.

Distribution equipment 1929

Embotelladora El Carmen • Saltillo, Coah.

- **2001**. On August 9, as part of the agreement, Procor purchased *The Coca-Cola Company's* 12% stake in Arma.
- **2001**. On August 24, Premarsa, Arma and Procor celebrated shareholders' meetings where the decision was made to merge the first two companies under the Procor name. In addition, Procor changed its legal name to Embotelladoras Arca, S.A. de C.V. This merger became effective on October 2.
- **2001**. During the period of November 26 to December 11, 2001, Arca launched an exchange offer through which it offered to acquire 79.24% stake in Argos, in exchange for Arca's common shares.
- **2001**. On December 11, Arca acquired 61,942,583 shares from The Inmex Corporation (a subsidiary of *The Coca-Cola Company*) representing 20.76% of this company's capital. On December 13, after completion of the exchange offer, 235,469,656 Argos' shares were tendered, representing 78.92% of its capital.

United to grow

OBJECTIVES OF THE MERGER

This union strengthens the capabilities of Embotelladoras Arca, allowing it to achieve important objectives:

- Become a larger, more solid and more profitable company through economies of scale.
- Capitalize the benefits of the synergies generated by:
  - Experience of three groups with many decades of working in the same business, the same region, and with the same *Coca-Cola* brands.
  - Shared vision and business philosophy.
  - Professional management.
- Strengthen its leadership position in the soft drink industry.
- Reinforce existing business relationships with members of the value chain.
- Increase growth opportunities.
- Develop competitive advantages to face competition.

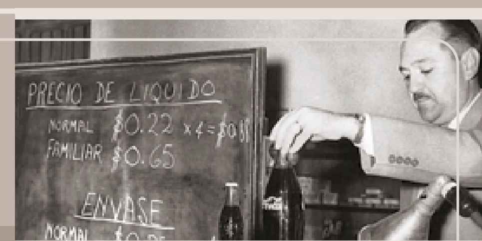
Embotelladora de Chihuahua • Chihuahua, Chih.

1940

1940 After the death of Mr. Páez, Mr. Manuel L. Barragán acquires 100% of the shares of Compañía Topo Chico.

1942

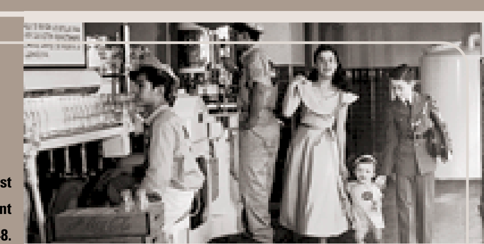
1942 Joya brand soft drinks are launched in the market.



Launching of Coca-Cola multiple serve format in 1956.

1944

1944-48 Topo Chico initiates its expansion program. During this period new bottling plants are established: Embotelladora Internacional in Nuevo Laredo, Tams., Embotelladora Tamaulipecas in Matamoros, Tams., and Bebidas Mundiales in Monterrey, NL.



Inauguration of the first Bebidas Mundiales plant in Monterrey, NL in 1948.

1971

1970-71 Opening of a new plant in Reynosa, Tamaulipas. Bebidas Mundiales, S.A. inaugurates its second bottling plant in Ciudad Guadalupe, NL.

United to grow

BENEFITS OF THE MERGER

Arca is committed to become a company with high productivity levels. Its goal is to give its shareholders an attractive return on their investment through the continuous training and development of its personnel, which guarantees an efficient use and management of resources and provides an excellent service to its clients and consumers through a high quality portfolio of products. All of this is based on moral values, on abiding by the law and recognizing the company's social responsibilities.

The merger of the three companies to form Arca will achieve synergies that result from the consolidation and rationalization of the production, administrative and distribution areas. This will produce economies of scale and greater operating efficiencies that will secure the optimization of costs and expenses, as well as a high return on investment.

Today Arca:

- Is a holding company that manages and operates a vast region through:

  - 39 direct and indirect subsidiaries:
    18 bottling companies and 21 production plants.
  - 57 production lines.
  - 85 distribution centers.

- Has a labor force of more than 17,000 workers in the various areas and divisions.

- Creates new competitive and financial advantages by combining the prestige achieved over time by Arca's predecessors.

- Optimizes financial resources to increase the return on investments. It maintains a reinvestment level that is adequate for modernizing and growing the installed capacity levels.

- Uses state-of-the-art technology in its information systems in order to improve the productivity and efficiency of its resources.

Bebidas Mundiales, Insurgentes Plant • *Monterrey, N.L.*

Plastic bottle blowing line
Cía. Embotelladora de Baja California Sur

1979 Proyección Corporativa is formed as the holding company of the bottlers owned by the Barragan family.

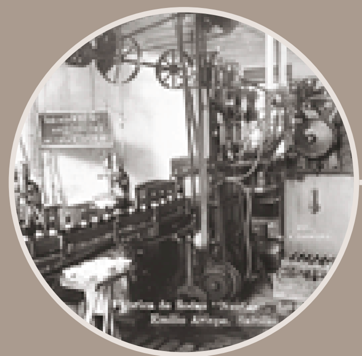
1986 Sello Tapa, a producer of bottling caps, containers and plastic cases initiates operations.

Embotelladora Internacional, Nuevo Laredo, Tams.

1987 Procor begins exporting proprietary brand products to various cities in the US.

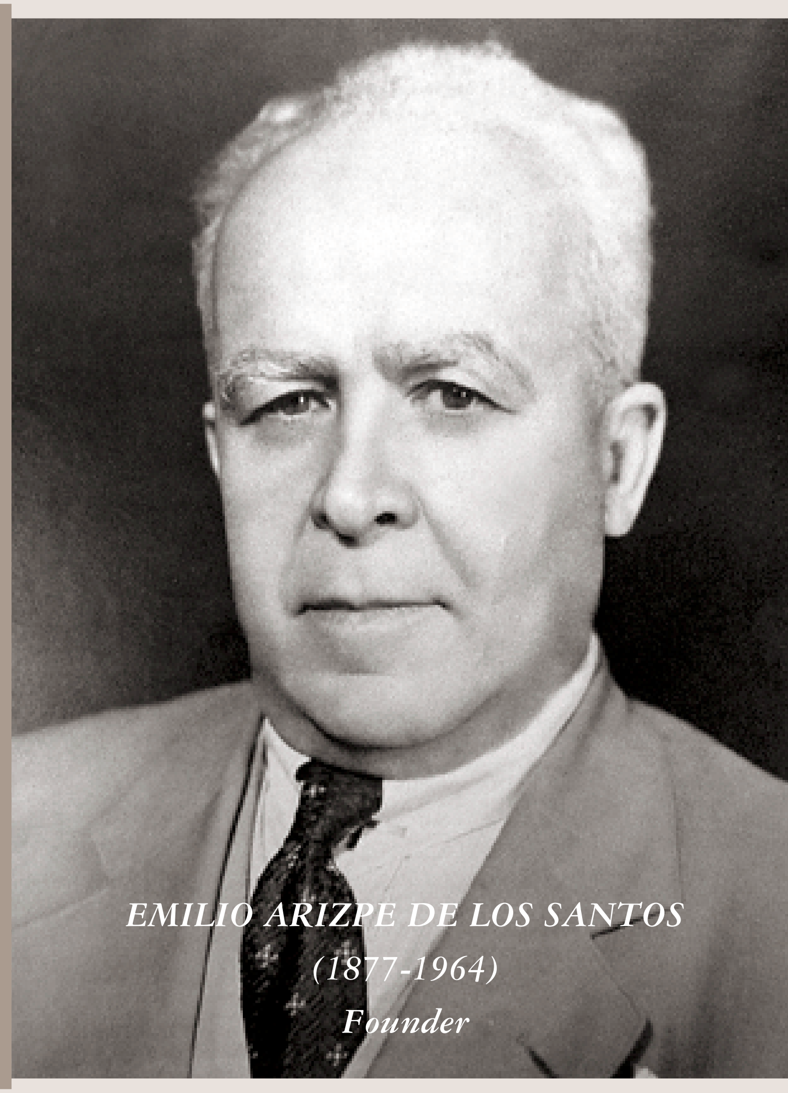
Bottling operators

1990 Insurgentes Plant, the third bottler of Bebidas Mundiales is inaugurated.



"Néctar" Soda Factory,
Saltillo, Coab.

Arma

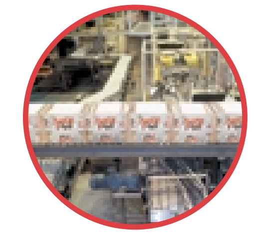


EMILIO ARIZPE DE LOS SANTOS
(1877-1964)
Founder

Originally from Saltillo, Coahuila and married to Mrs. Elena de la Maza Ycaza, Mr. Emilio Arizpe de los Santos initiated operations of an ice factory in his hometown in 1918.

United to expand our markets

MARKETING AND SALES



Marketing. The merger that created Embotelladoras Arca is an important factor in expanding our markets, which also benefits from:

- Constant support for creating and developing points of sale in our territories, in order to increase the availability of products to the consumer by investing in refrigerators, vending machines, as well as training, marketing, advertising and promotions to stimulate demand.
- Consolidation of our leadership in the beverage industry, optimize our product portfolio and develop new products that satisfy our customers' tastes. We are also looking to establish a price structure that allows for the coexistence of various formats, brands and flavors, through various distribution channels.
- Commitment to constantly improve our service to our clients and consumers, using state-of-the-art technology, such as the pre-sale system that operates with hand-held portable equipment for order taking.
- Sustained level of reinvestment to renew and upgrade our facilities and equipment, and to increase the installed capacity, thus ensuring a high level of flexibility and efficiency.

Bebidas Mundiales, Insurgentes Plant • Monterrey, N.L.

1924

1924 Mr. Emilio Arizpe enters the soft drink production, packaging and marketing business with the proprietary brand, "Néctar".

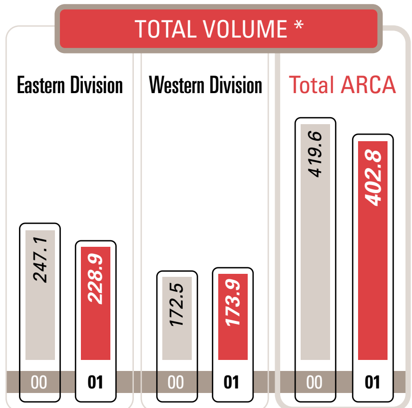
1926

1926 The Company obtains the license to bottle and sell Coca-Cola products in the city of Saltillo, Coahuila and its surrounding areas.

1936

1936 On May 1, the companies belonging to Mr. Emilio Arizpe join under the company name Fabricas El Carmen, S.A

Inauguration of the Saltillo plant



(*) Million unit cases, excluding sales of water in jugs (54.9 MUC in 2000 and 59.2 MUC in 2001) as well as exports and Topo Chico product sales outside our territories (5.8 MUC in 2000 and 3.6 MUC in 2001).

Arca´s territories are unique because they enjoy certain specific characteristics that facilitate soft drinks sales, including:

- Population with a higher purchasing power than the country average.
- Extreme weather: high temperatures in the summer and low temperatures in the winter.
- Dynamic industrial growth evidenced by the high migration levels to its territories.
- Direct influence from the U.S. regarding consumption and eating habits.

Distribution. Access to our products is one of the most important elements of Arca's business strategy and therefore, the distribution process is a key component of the Company's operation.

The distribution and sales process begins with the salespeople who regularly visit over 182,000 clients as well as 50,000 homes for direct soft drinks sales and 85,000 homes for direct sales of water in jugs.

The pre-sale systems are supported by hand-held devices that capture the clients' orders as well as other data, and rely on specific information regarding the needs of each product.

Creating and facilitating new opportunities for the consumption of our products are actions that are directly reflected in our sales, which increase as we make our products more accessible to the consumer. Therefore, the most important component of our distribution and sales process is the correct placement of our coolers and vending machines.

The coolers are placed at the points of sale as per zero-cost leasing contracts, signed between Arca and its clients.

We support the consumption of our products in restaurants, cafeterias, industrial lunchrooms, schools and universities through the installation of post-mix equipment. As of December 2001, Arca had 4,991 post-mix machines located throughout its territories.

Pre-sale system using portable hand-held devices

EQUIPMENT AT POINTS OF SALE

	Coolers	Vending	Post-mix	Total
2001	**144,824**	**6,384**	**4,991**	**156,199**
2000	132,125	5,818	4,591	142,534

1956 The expansion of its territories continues with the acquisition of the Sabinas, Coahuila franchise.

1970 Embotelladora de Monclova initiates operations.

1980 Embotelladora de Refrescos Matehuala in San Luis Potosí initiates operations.

1943 A new plant is inaugurated in Saltillo and the franchise of Piedras Negras, Coahuila is acquired.

Inauguration of the Piedras Negras Plant in the State of Coahuila, 1965

1977 The Arma Corporate Headquarters are established in order to consolidate the administration and expansion of the Arizpe family businesses.

Fábricas El Carmen Saltillo, Coah.

Refrescos de Matehuala • Matehuala, S.L.P.

EASTERN DIVISION SALES *

Subsidiaries	2000	2001	Growth %
Bebidas Mundiales	139.4	**128.8**	(7.6)
Embotelladora El Carmen	26.9	**26.1**	(2.9)
Embotelladora de Reynosa	18.2	**16.5**	(9.5)
Embotelladora Tamaulipeca	17.7	**15.7**	(10.9)
Embotelladora Internacional	12.7	**11.6**	(8.7)
Embotelladora de Monclova	11.4	**10.6**	(6.7)
Embotelladoras del Norte de Coahuila	11.3	**10.1**	(10.6)
Compañía Embotelladora de Sabinas	5.4	**5.2**	(5.1)
Compañía Topo Chico	6.1	**4.1**	(32.0)
Refrescos de Matehuala	3.8	**3.8**	(0.1)
TOTAL	**252.9**	**232.6**	**(8.0)**

WESTERN DIVISION SALES *

Subsidiaries	2000	2001	Growth %
Embotelladora de la Frontera	42.2	**40.2**	(4.6)
Compañía Embotelladora de Culiacán	28.1	**29.9**	6.6
Embotelladora de Mexicali	25.3	**24.9**	(1.7)
Embotelladora de Chihuahua	20.4	**19.9**	(2.7)
Embotelladora Pitic	18.1	**18.9**	4.4
Embotelladora del Pacífico	12.0	**12.6**	4.1
Compañía Embotelladora de Nueva Obregón	11.7	**12.4**	6.3
Compañía Embotelladora de Baja California Sur	8.7	**9.7**	12.0
Refrigeradora de Parral	6.0	**5.4**	(10.6)
TOTAL	**172.5**	**173.9**	**0.8**
TOTAL ARCA	**425.4**	**406.5**	**(4.4)**

Note: All of the subsidiaries are "S.A. de C.V."
(*) Million unit cases; the Eastern Division includes sales of Topo Chico outside its territories (5.8 MUC in 2000 and 3.6 MUC in 2001).

Sales. During 2001, sales volume reached 406.5 million unit cases, 4.4% less than the previous year. The soft drink segment posted a sales volume of 403.7 million unit cases, which represents a decline of 4.6% compared to 2000. Water sales continued to grow during 2001 with increases of 18.0% and 7.9% in its individual and jug presentations, respectively.

The weather conditions combined with the economic slowdown, and particularly a significant increase in prices in the Monterrey metropolitan area, negatively affected volume growth. Thus, total volume in the Eastern Division declined by 7.3% from 247.1 million unit cases in 2000 to 228.9 million unit cases in 2001.

The Western Division posted an increase of 0.8% in sales volume, from 172.5 million unit cases in 2000 to 173.9 million unit cases in 2001. The price increase in this division was more moderate than in the Eastern Division.

Coca-Cola Ad

1983 Acquires Compañía Embotelladora del Pacífico in Mazatlán, Sinaloa.

1985 Compañía Embotelladora de Baja California Sur inaugurates its plant in the city of La Paz.

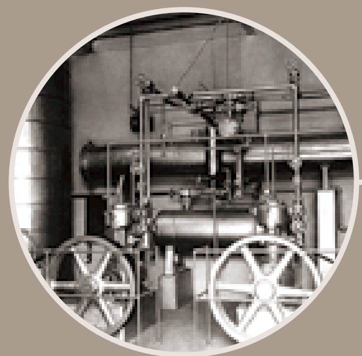
1987 The second Coca-Cola bottling plant in the city of Saltillo initiates production of non-returnable products.

1982 Industrial de Plásticos Arma is created.

Embotelladora El Carmen Saltillo, Coah.

Piedras Negras Plant

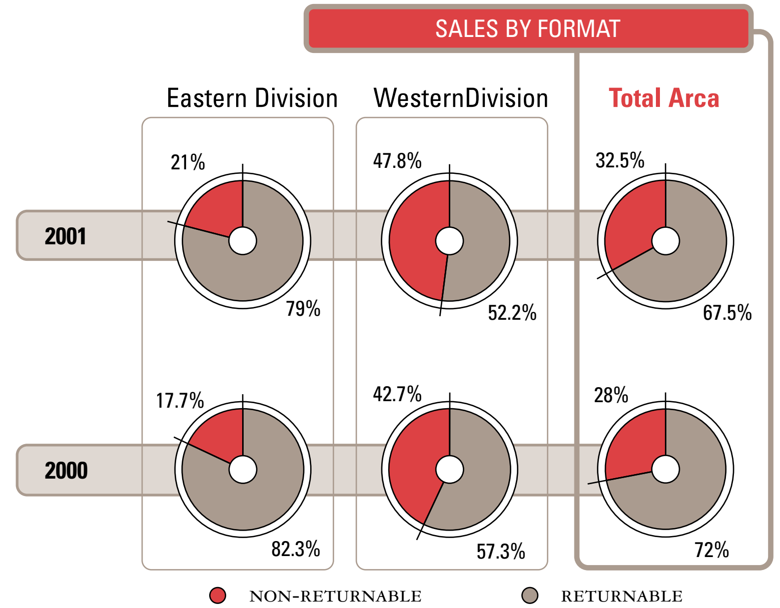
1999 A new plant is opened in Piedras Negras.



Argos

TOMÁS FERNÁNDEZ BLANCO
(1869-1947)
Founder

Originally from Osnayo, a province in Santander, Spain, and married to Doña Rosario Campos Luján, Mr. Tomás Fernandez Blanco inaugurates the company's first bottling plant in Ciudad Juárez, Chihuahua in 1936. Named Embotelladoras de la Frontera, the plant initiated activity with the production and sale of Coca-Cola brand products.



Embotelladora Pitic Plant • Hermosillo, Son.

During 2001, *Coca-Cola* brand sales represented 88.0% of consolidated soft drink volume, 82.3% in the Eastern Division and 95.4% in the Western Division. In addition, consumers' preference for non-returnable formats continued to grow in 2001, up 11.5%, while returnable presentation sales declined 10%. The consolidated sales mix of returnable/non-returnable presentations was 67.5/32.5 in 2001 compared to 72/28 in 2000. In the Eastern Division, this figure reached 79/21 in 2001 (82.3/17.7 in 2000), while in the Western Division it was 52.2/47.8 (57.3/42.7 in 2000).

1937

1937 A new plant is inaugurated in Hidalgo del Parral, Chihuahua.

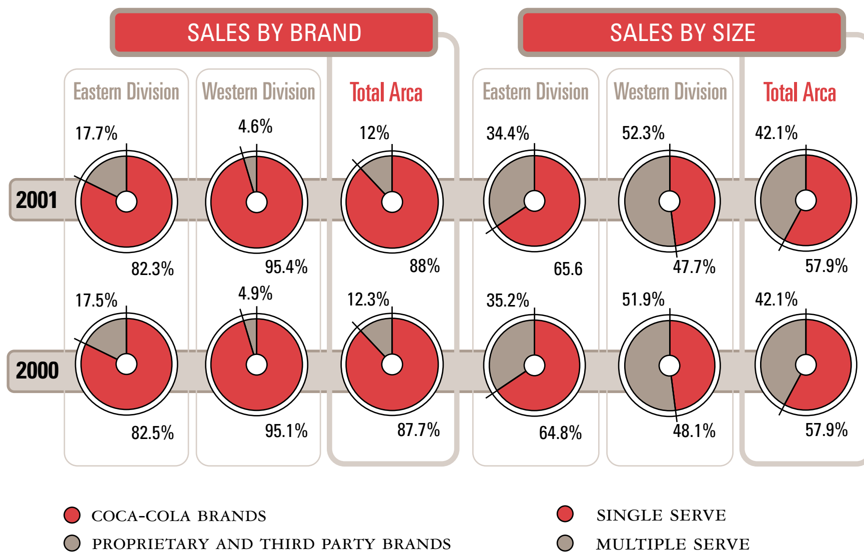
1972

1972 An expansion period begins with the acquisition of Compañia Embotelladora Pitic in Hermosillo, Sonora.

Delivery truck

Multiple serve products represented 42% of sales in 2001

Mom and Pop store sales represented 87.3% of the total volume in 2001 compared to 87.6% in 2000; they represented 94.0% of the Eastern Division sales and 78.4% of the Western Division sales. In 2001, multiple serve product sales remained stable representing 57.9% of total sales, with 65.6% in the Eastern Division and 47.7% of the Western Division.



SEASONALITY OF SALES

	Eastern Division 2000	Eastern Division 2001	Western Division 2000	Western Division 2001	Total Arca 2000	Total Arca 2001
January/March	22.7%	21.5%	21.7%	21.0%	22.3%	21.3%
April/June	27.1%	27.4%	27.2%	27.0%	27.2%	27.2%
July/September	29.3%	28.6%	28.2%	27.6%	28.9%	28.2%
October/December	20.8%	22.6%	22.9%	24.4%	21.7%	23.3%

Cía. Embotelladora de Nueva Obregón • Obregón, Son.

SALES BY DISTRIBUTION CHANNEL

	Eastern Division 2000	Eastern Division 2001	Western Division 2000	Western Division 2001	Total Arca 2000	Total Arca 2001
Mom and Pop stores	93.6%	94.0%	78.9%	78.4%	87.6%	87.3%
Supermarkets	1.0%	1.1%	6.5%	6.9%	3.3%	3.6%
Convenience stores	4.7%	4.3%	9.9%	9.6%	6.8%	6.5%
Fast food	0.7%	0.6%	4.7%	5.1%	2.3%	2.6%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1982

1982 The Ciudad Juárez, Parral and Hermosillo bottling plants are grouped under the holding company Sistema Argos, S.A.

1983

1983 Acquires the Coca-Cola license for the Ciudad Obregón, Sonora territory.

Delivery workforce

1985

1985 Argos acquires Compañía Embotelladora de Culiacán in the state of Sinaloa.

1991

1991 Acquisition of the Coca Cola territories located in Mexicali, Baja California and San Luis Río Colorado, Sonora.

Delivery trucks

SALES BY SEGMENT

EASTERN DIVISION

	2000	2001
Colas	68.1%	68.1%
Diet soft drinks	6.6%	6.6%
Flavors	22.2%	22.2%
Mineral water	2.4%	2.4%
Purified water	0.5%	0.9%
Fruit juices	0.1%	0.2%
Sports drinks	-	0.0%

WESTERN DIVISION

	2000	2001
Colas	74.8%	74.9%
Diet soft drinks	3.9%	4.5%
Flavors	19.7%	18.8%
Mineral water	0.1%	0.1%
Purified water	1.4%	1.7%
Fruit juices	0.1%	0.1%
Sports drinks	-	0.0%

TOTAL ARCA

	2000	2001
Colas	70.8%	70.8%
Diet soft drinks	5.5%	6.0%
Flavors	21.2%	20.4%
Mineral water	1.4%	1.4%
Purified water	0.9%	1.2%
Fruit juices	0.1%	0.2%
Sports drinks	-	0.0%

United to improve

HUMAN RESOURCES

We know that our personnel are the foundation for continuous improvement. For this reason, we are committed to promoting the personal and professional development of our employees, at all levels. Through specialized training and development, we strive to increase productivity levels and stimulate motivation and employee retention within the Company.

United to the world

INTERNET

In April 2002, Arca launched its website, reflecting the new company's characteristics and future strategy. Investors can access all of the information available at: **www.e-arca.com.mx**

1991

1991 At the end of November, Sistema Argos S.A. lists on the Mexican Stock Exchange and its shares begin trading.

A view of the plant located in Culiacán, Sin.

1997

1997 Argos buys the franchises for the cities of Chihuahua and Nuevo Casas Grandes.

Beverage stand, Culiacán, Sin.

1998 Argos is spun-off of Sistema Axis S.A. and becomes a company focused on the soft drink and purified water bottling sector.

1998

Portfolio

PRODUCT PORTFOLIO

Through its product portfolio, Arca seeks to:

- Maintain clear brand positioning over time.
- Offer low prices without affecting the company's profitability.
- Have ample distribution capacity.
- Offer its clients excellent service.
- Maintain a tradition of quality.

BOARD OF DIRECTORS

• Miguel Antonio Fernández Iturriza, 58

Chairman

He is also Chairman of the Board of Directors of Sistema Axis, S.A. de C.V. He held various executive-level positions at Argos, including Chief Executive Officer. Mr. Fernández has a degree in industrial engineering from Georgia Tech University.

• Emilio Antonio Arizpe y de la Maza, 84

Vice Chairman

Mr. Arizpe is also 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 directors of Banco Bital, S.A., Chairman of the board of trustees of Universidad Autónoma del Noreste, and Honorary Chairman of the Red Cross in Saltillo. In addition, Mr. Arizpe is also a member of the board of directors of the Mexican Association of Coca-Cola Bottlers, and the regional board of directors of Seguros Comercial América, S.A. In the past, Mr. Arizpe served as 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 directors of Banca Serfin, S.A. and Banco del Centro, S.A., member of the board of directors of Banco Internacional, S.A., and Vice President of Banca Inverlat, S.A., in Saltillo. Mr. Arizpe holds a textiles engineering degree from North Carolina State University.

• Eduardo Ángel Elizondo Barragán, 54

Vice Chairman

He is also Chairman of the Board of Directors and President of his own company. He is member of the Board of Grupo Lamosa, S.A. de C.V., Grupo Dataflux, S.A. de C.V., and Afore Banorte, S.A. In the past, Mr. Elizondo served as member of the board of directors 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 member of the regional board of directors of Multibanco Mercantil de México, S.A. Mr. Elizondo holds a degree in economics and an MBA from ITESM.

• Luis Lauro González Barragán, 48

Vice Chairman

Previously, he was a member of the board of directors of Procor and C.B.I. Mr. González is also a member of the board of directors of Index, S.A. de C.V. and Berel, S.A. de C.V., and member of the board of trustees of Universidad de Monterrey. Mr. González holds an engineering degree from ITESM, and an MBA from Purdue University.

• Guillermo Alvelais Fernández, 55

Director

He is also a member of the board of directors of Sistema Axis, S.A. de C.V. Mr. Alvelais holds a B.S. degree from Georgia Tech University and a master degree from Cornell University.

• Miguel Arizpe Jiménez, 53

Director

He is also a member of the Board of Directors of Banco Internacional, S.A., Banorte, S.A. and Grupo Financiero Banamex, S.A. de C.V., and member of the board of trustees of Banco de Alimentos. In the past, Mr. Arizpe served as Chairman of the board of directors of Simas de Saltillo, S.A. de C.V. and Consejo de Pensiones. Mr. Arizpe holds and industrial relations degree from Universidad Iberoamericana, A.C.

• José Joaquín Arizpe y de la Maza, 81

Director

He is also member of the Board of Directors of Industrial Saltillo, S.A., Hotel Camino Real Saltillo, S.A. de C.V., Desarrollo Rural, A.C. and Casa Hogar Bilingüe, A.C., as well as member of the regional board of directors of BBVA Bancomer, S.A. and Banco Internacional, S.A. in Saltillo. Mr. Arizpe holds an accounting degree and an MBA from IPADE.

• Manuel L. Barragán Morales, 51

Director

He is also member of the board of directors of Banco Regional de Monterrey, S.A., and Index, S.A. de C.V. Mr. Barragán holds a business degree from ITESM.

• Eduardo J. Barragán Villarreal, 66

Director

In the past, Mr. Barragan served as member of the Board of Directors of Procor, Promoción Rural, A.C. and Arte, A.C., as well as Chairman of the Board of Trustees of Pro-Cultura de Monterrey, A.C., Fideicomiso de Vida Silvestre de Nuevo León and Impulsora de Eventos Culturales, A.C. Mr. Barragán holds a degree in architecture from ITESM, and has taken various courses at IPADE.

• Fernando Barragán Villarreal, 71

Director

In the past, Mr. Barragán served as member of the Board of Directors of Estructuras de Acero, S.A., Financiera General de Monterrey, S.A., and Procor. Mr. Barragán holds an engineering degree from ITESM.

• Javier L. Barragán Villarreal, 77

Director

He is also member of the board of advisors of BBVA Bancomer, S.A., and member of the board of directors of FEMSA, the Red Cross in Monterrey and Promoción Rural, A.C. Mr. Barragán has a degree in medicine from Universidad Nacional Autónoma de México.

• Rafael Garza-Castillón Vallina, 45

Director

He is also member of the Board of Directors of Sistema Axis, S.A. de C.V., 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 holds a degree in economics from ITESM.

• Roberto Garza Velázquez, 45

Director

He is also the President of Industria Carrocera San Roberto, S.A. de C.V. and member of the Board of Directors of Index, S.A. de C.V. In the past, Mr. Garza served as member of the Board of Directors of Procor and Papas y Fritos Monterrey, S.A. de C.V. Mr. Garza holds an accounting degree from Universidad Regiomontana, and a post-graduate degree from IPADE.

• Jorge Humberto Santos Reyna, 27

Director

He is also President of Impulsora Comercial San Barr, S.A. In the past, Mr. Santos served as member of the board of directors of Caintra and Empresas San Barr, S.A. de C.V., and as alternate director of Procor and Index, S.A. de C.V. Mr. Santos holds an accounting degree from Universidad de Monterrey.

• Marcela Villareal Fernández, 55

Director

She is also member of the Board of Directors of Axis, S.A., Fundación Mascareñas, A.C. and Fundación Rosario Campos, A.C. In the past, she served as President of El Paso Museum of Arts. Ms. Villareal holds a B.S. degree and a Masters degree in human sciences from Tulane University.

• Ernesto López de Nigris, 41

Independent Director

Mr. López is Vice President of Operations of GIS, and Vice Chairman of the Board of Directors of COPARMEX, CANACINTRA and Desarrollo Rural, A.C. Mr. López holds an engineering degree from ITESM, and an MBA from University of Texas.

• Juan B. Maldonado Quiroga, 45

Independent Director

Mr. Maldonado is Executive Chairman of Copamex, and member of the Board of Directors of Banco Nacional de México, S.A., Fundación de Beneficiencia Maldonado Quiroga, A.B.P., Fomento Moral y Educativo, A.C. and Auto Club Valle, A.C. In the past, Mr. Maldonado served as member of the board of directors of Tubacero, S.A. de C.V., Probursa, S.A. de C.V., Banca Confía, S.A., Casa de Bolsa Interacciones, S.A. de C.V., CAINTRA, CANACO and CCINLAC. Mr. Maldonado holds a business degree from Universidad Nacional Autónoma de México.

• Fernando Olvera Escalona, 69

Independent Director

Mr. Olvera is also Chairman of the Board of Directors of Far-Ben, S.A. de C.V.; member of the Audit Committee of Grupo Financiero Banorte, S.A. de C.V.; Compliance Officer of Sólida Banorte Generali, S.A. de C.V.; member of ITESM, Instituto de Contadores Públicos de Nuevo León and Instituto Mexicano de Ejecutivos de Finanzas; President of Promocapital, S.C.; and Vice Chairman of the board of directors of Prodensa, S.A. de C.V. Mr. Olvera holds an accounting degree, a Masters degree and a Ph.D. from Instituto Politécnico Nacional.

• José Otaduy Aranzadi, 72

Independent Director

He is also Director of the Masters Program in International Management of ITAM, and serves as Statistical Sampling Expert for the Panamerican Union of the Organization of American States in Washington, D.C. In the past, Mr. Otaduy served as member of the Board of Directors of Grupo Quan, S.A. de C.V. Mr. Otaduy holds a degree in mathematical statistics from Universidad Nacional del Litoral, in Argentina, and an MBA from Columbia University.

• Humberto Valles Hernández, 66

Independent Director

Mr. Valles is an independent business consultant, and is also a retired partner of Mancera S.C./Ernst & Young, where he served as member of the Board of Directors. In addition, Mr. Valles is Statutory Examiner of Sistema Axis, S.A. and several other companies and educational institutions. In the past, Mr. Valles served as member of several committees of Instituto Mexicano de Contadores Públicos de Chihuahua, A.C. Mr. Valles holds an accounting degree from ITESM.

• Arturo Gutiérrez Hernández, 36

Secretary

He is also General Counsel of Arca. Prior to joining our company, Mr. Gutiérrez worked at Alfa Corporativo and served as Secretary of the Board of Directors of several companies within Grupo Alfa. Mr. Gutiérrez holds a law degree from Escuela Libre de Derecho, and an LL.M. from Harvard Law School.

• Enrique Osorno Heinze, 58

Examiner

Currently he is the President of PricewaterhouseCoppers in México. He is also the deputy of the Board of Directors of Alfa, S.A. de C.V., Frisco, S.A. de C.V., Condumex, S.A. de C.V., Tamsa, S.A. de C.V. and Afore 21, S.A. de C.V. Mr. Osorno is a CPA from Escuela Bancaria Comercial and a graduate of the Executive Development Program at Cornell University.

SENIOR MANAGEMENT

• Miguel Antonio Fernández Iturriza, 58

Chief Executive Officer

Chairman of the Board of Directors of Arca and Chairman of the Board of Directors of Sistema Axis, S.A. de C.V. Previously held various executive-level positions at Argos, including Chief Executive Officer. Mr. Fernández has a degree in industrial engineering from Georgia Tech.

• Enrique Camacho Camacho, 52

Chief Technology Officer

Since 1992, he has served as Chief Technology Officer of Procor where he also held various other positions in the operations area, as well as in the general management area of Embotelladora Tamaulipeca, S.A. de C.V. Previously, Mr. Camacho worked in the technology and industrial design areas of *Coca-Cola* de México. He has a mechanical engineering degree from the Instituto Politécnico Nacional, an MBA from the Universidad Autónoma de Nuevo León and a postgraduate degree from the IPADE.

• René Flores Ramírez, 47

Chief Operating Officer of the Eastern Division

Previously, he was CEO of Bebidas Mundiales S.A. de C.V., Arca's largest subsidiary. Mr. Flores joined Procor in 1980 and held various positions in the areas of production and sales at several subsidiaries of Procor. He has a mechanical engineering degree and an MBA from the Universidad Autónoma de Nuevo León.

• Salvador Oropeza Cuevas, 55

Chief Operating Officer of the Western Division

Previously, he served as CEO of Argos. Mr. Oropeza holds an accounting degree and an MBA from Universidad Autónoma de Chihuahua, and has taken several post-graduate courses at the IPADE. In the past, Mr. Oropeza served as regional member of the Board of Directors of Banco Mexicano Somex and Secretary of the Board of Directors of Sistema Axis, S.A. de C.V.

• José Luis González García, 50

Chief Marketing Officer

Since 1987, he has worked in the marketing department of Procor, where he became the head of marketing in 1991. Previously, Mr. González worked for *Coca-Cola* de México as Associate Director of Operations. He has a degree in economics from the Universidad Autónoma de Nuevo León.

• Adrián Wong Boren, 51

Chief Financial and Administrative Officer

Previously, he held the same position at Procor. Mr. Wong holds an accounting degree from Universidad de Coahuila, an M.B.A. from ITESM, and a Ph.D. from Virginia Tech. In the past, Mr. Wong was a full-time professor at San Diego State University, ITESM, the University of California and Virginia Tech.

• Arturo Gutiérrez Hernández, 36

Chief Counsel

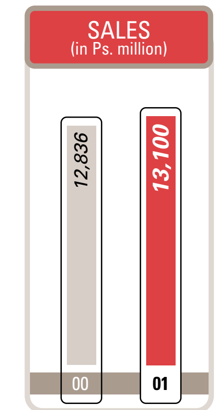
Secretary of the Board of Directors of Arca. Mr. Gutiérrez was the General Counsel of Procor. Mr. Gutiérrez worked at Alfa Corporativo and served as Secretary of the Board of Directors of several companies within Grupo Alfa. He holds a law degree from Escuela Libre de Derecho, and a LL.M. from the Harvard Law School.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Dear Shareholders:

Due to the recent incorporation of Embotelladoras Arca, S.A. de C.V. (Arca), the audited income statement for the year 2001 includes 12 months of results for Proyección Corporativa, S.A. de C.V. (Procor), five months of results for Empresas El Carmen, S.A. de C.V. (Arma) and Promotora Empresarial Arma, S.A. de C.V. (Premarsa), as well as one month of results of Embotelladoras Argos, S.A. (Argos).

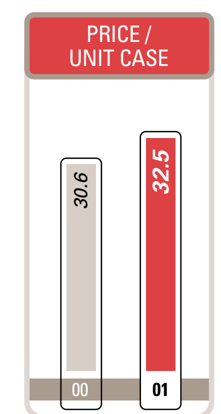
However, for comparative purposes and to facilitate the analysis of these results, we have included pro forma financial statements (which are included in the following pages) for the years 1999, 2000 and 2001. These were prepared as if Argos, Arma and Premarsa had formed part of Arca since January 1 of 1999, 2000 and 2001. All of the analysis that follows is based on those pro forma financial statements.



Growth = 2.1%

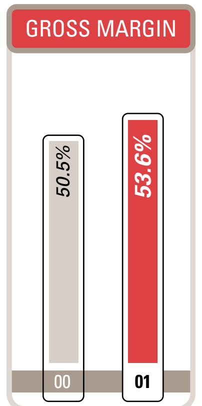
During 2001, net sales increased 2.1% compared to the previous year. This resulted from the offsetting of a 4.4% decline in sales volume, with a 6.3% increase in average price per unit case from Ps. 30.6 in 2000, to Ps. 32.5 in 2001. The price increases mainly took place in the Eastern Division. In the rest of the territories the increases were more in line with the inflation rates registered for 2001.

Gross margin increased from 50.5% to 53.6%, in 2000 and 2001, respectively, as a result of a 4.3% reduction in cost of goods sold and the increase in prices. This improvement in the gross margin was mainly due to the stability of sugar prices throughout 2001 and the reduction in other raw material costs, fueled not only by operating efficiencies but by the appreciation of the peso versus the dollar as well. Additionally, the Argos subsidiary stopped bottling export products for third parties, a business with a gross margin lower than the weighted average for the Group.



Growth = 6.3%

Selling expenses for 2001 increased to Ps. 3,283 million, which represents an increase of 14.4% compared to 2000. This increase was due to the following: the increase in wages and salaries for 2001, which were above inflation for the year, the addition of pre-sale and promotion routes, as well as an increase in marketing activities. Administrative expenses, excluding the Ps. 55.4 million in expenses related to the merger, increased 10.5% during the period. The increase was due to the expenses incurred in the installation of new information systems, as well as to the increase in wages and salaries above the inflation rate. Merger related expenses include fees and



Growth =
3.1 percentage points

commissions of financial consultants, lawyers, accounting firms, as well as payments related to the listing of Arca's shares on the Mexican Stock Exchange (Bolsa Mexicana de Valores). We followed a policy of not capitalizing the expenses related to the merger of the three companies.

As a result of the above, operating income, excluding merger related expenses, increased 0.6% from Ps. 2,618 million in 2000 (20.4% of sales) to Ps. 2,635 million in 2001 (20.1% over sales). EBITDA, before merger related expenses, increased 0.9% from Ps. 3,268 million (25.5% of net sales) in 2000 to Ps. 3,296 million (25.2% of net sales) in 2001. The generation of these operating cash flow levels allows us to have great financial flexibility to either take advantage of investment opportunities, or distribute dividends, depending on which alternative is better for value creation under the circumstances.

Integral cost of financing decreased from Ps. 105 million in 2000 to Ps. 13 million in 2001. This was due to extraordinary losses experienced during 2000 in investments in shares of publicly traded companies, as well as to the interest income generated by the high cash levels maintained during 2001, and a reduction in both Argos' debt levels and interest rates paid on its debt.

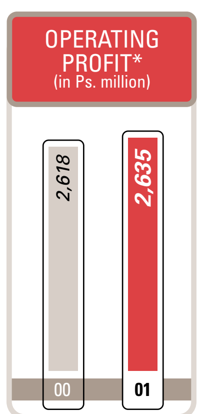
Other expenses reached Ps. 118 million, primarily due to extraordinary losses totaling Ps. 108 million. During 2001, as part of the merger negotiations, some of the companies that now make up Arca, sold non-strategic assets, including real estate, shares and bonds in companies not related to Arca or the beverage industry, resulting in a net loss.

Income Before Taxes and Employee Profit Sharing, excluding merger related expenses and losses, increased 4.8% compared to 2000, representing 19.9% of net sales, compared to 19.4% during the previous year.

Provisions for Income Tax and Employee Profit Sharing increased 13% during 2001, from Ps. 1,088 million to Ps. 1,230 million. This increase was mainly due to the sale of some non-core assets that were sold at a fiscal gain (i.e. a tax was paid on these sales) but at the same time represented an accounting loss.

Net income before expenses and losses related to the merger declined 3.2% to Ps. 1,367 million in 2001, representing earnings per share of Ps. 1.70 for 2001, compared to Ps. 1.75 per share for 2000.

Cash and Cash Equivalent balances as of December 31, 2001 were Ps. 972 million, representing a decrease of Ps. 505 million compared to the figure reported as of December 31, 2000. This reduction was the result of a dividend payment in the amount of Ps. 1,636 million as well as the purchase of Argos and Arma shares held by a subsidiary of *The Coca-Cola Company.* This share purchase was financed by a US$180 million 3-year syndicated loan, payable in a single amortization and with an interest rate of Libor plus 100, 112.5, and 125 basis points, for the first, second and third years, respectively. The decrease in pro forma shareholders' equity was mainly due to the payment of the dividend, previously mentioned.



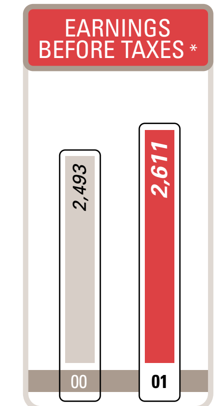
Growth = 0.6%

(*)Excludes merger related expenses.

Investments in fixed assets rose to Ps. 540 million in 2001 on a pro forma basis. These were mainly allocated towards the maintenance of our plants, replacement of delivery trucks, as well as the placement of additional refrigerators and vending machines.

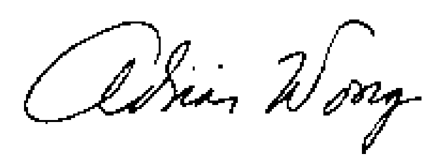
The exchange of Argos shares for Arca shares resulted in the total issuance of 235,469,656 shares, which, added to the 570,550,003 shares that existed before the exchange, totaling 806,019,659 total shares outstanding as of December 31, 2001.

We are aware of the challenges that we, as a new company face, with an unfavorable economic environment and an ever-challenging competitive environment. However, such challenges generate new opportunities for us to capitalize on for the benefit of our shareholders, our employees and the communities that we serve.



Growth = 4.7%

(*)Excludes merger related expenses and losses.



Adrián Wong Boren
CHIEF FINANCIAL OFFICER

Embotelladoras Arca, s. a. de c. v., and subsidiaries

PRO FORMA CONSOLIDATED BALANCE SHEET *

(thousands of pesos of December 31, 2001 purchasing power)

	December 31, 2001	2000	1999
ASSETS			
Current assets			
Cash and cash equivalents	**971,750**	1,476,736	781,162
Accounts receivable, net	**349,216**	375,697	316,483
Other accounts receivable	**154,857**	142,048	162,589
Inventories	**1,150,872**	1,200,940	1,361,763
Prepaid expenses	**11,060**	6,333	5,932
Total current assets	**2,637,755**	3,201,754	2,627,929
Investment in shares	**71,248**	54,677	64,090
Restricted fixed assets	**–**	460,339	462,548
Property, plant and equipment	**7,441,739**	7,175,818	7,097,832
Goodwill	**2,092,070**	1,059,816	1,120,075
Other assets	**63,293**	78,679	82,116
Total asset	**12,306,105**	12,031,083	11,454,588
LIABILITIES AND STOCKHOLDERS´EQUITY			
Current liabilities			
Bank loans	**156,114**	116,301	342,907
Suppliers	**362,487**	435,854	423,270
Other accounts payable and accrued expenses	**884,036**	748,699	425,636
Total current liabilities	**1,402,637**	1,300,854	1,191,813
Bank loans	**1,937,440**	540,265	659,223
Liabilities for pension plans and seniority premiums	**177,032**	118,382	121,077
Deferred income tax and other long term liabilities	**1,374,451**	1,466,021	1,580,777
Total liabilities	**4,891,560**	3,425,522	3,552,891
Stockholders' equity			
Contributed capital stock	**3,643,075**	1,735,459	1,735,459
Reserve for repurchase of shares		116,701	26,935
Premium on issuance of capital stock	**539,965**	1,881,851	1,885,859
Retained earnings	**4,826,495**	6,077,439	5,283,641
Deficit on restatement of capital	**(1,604,259)**	(1,205,889)	(1,030,196)
Total stockholders' equity (majority interest)	**7,405,276**	8,605,561	7,901,698
Minority interest	**9,269**	–	
Total liabilities and stockholders' equity	**12,306,105**	12,031,083	11,454,588

(*) 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.

Embotelladoras Arca, s. a. de c. v., and subsidiaries

PRO FORMA INCOME STATEMENT *

(thousands of pesos of December 31, 2001 purchasing power)

	December 31, 2001	2000	1999
Net sales	**13,100,463**	12,836,257	11,595,795
Cost of sales	**(6,080,886)**	(6,350,977)	(6,309,906)
Gross profit	**7,019,577**	6,485,279	5,285,889
Selling expenses	**(3,283,331)**	(2,869,684)	(2,625,890)
Administrative expenses	**(1,101,733)**	(997,400)	(950,472)
Operating income (before merger related expenses)	**2,634,513**	2,618,195	1,709,528
Merger Related Expenses	**(55,366)**	–	–
Operating income (after merger related expenses)	**2,579,147**	2,618,195	1,709,528
Integral cost of financing:			
Financial income (expense), net	**5,541**	(115,303)	(70,035)
Exchange (loss) gain, net	**(22,245)**	3,943	(13,503)
Loss on monetary position	**3,704**	6,841	78,438
	(13,000)	(104,519)	(5,100)
	2,566,147	2,513,675	1,704,428
Other (expense), net	**(10,385)**	(20,974)	21,978
Other merger related income (expense), net	**(107,955)**	–	–
Income before the following provisions:	**2,447,807**	2,492,701	1,726,406
Provisions for:			
Income tax	**(926,247)**	(813,135)	(607,253)
Employees´profit sharing	**(303,462)**	(274,772)	(187,586)
Total provisions	**(1,229,709)**	(1,087,908)	(794,839)
Equity income of associated companies and extraordinar items	**(14,823)**	7,296	8,320
Consolidated net income	**1,203,275**	1,412,090	939,886
Number of Shares (thousands)*	**806,020**	806,020	806,020
Data per share:			
Income before taxes	**3.04**	3.09	2.14
Net income	**1.49**	1.75	1.17
Net income excluding merger related expenses and losses	**1.70**	1.75	1.17
Book Value	**9.19**	10.68	9.80

(*) 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.

Financial statements

EMBOTELLADORAS ARCA, S. A. DE C. V. AND SUBSIDIARIES

(FORMELY PROYECCIÓN CORPORATIVA, S. A. DE C. V. AND SUBSIDIARIES)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

CONTENTS

Report of accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N. L., February 28, 2002

PRICEWATERHOUSECOOPERS

TO THE STOCKHOLDERS OF EMBOTELLADORAS ARCA, S. A. DE C. V.:

1. We have audited the consolidated balance sheets of Embotelladoras Arca, S. A. de C. V. (formerly Proyección Corporativa, S. A. de C. V. (Procor)) and subsidiaries (Arca) as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Embotelladoras Argos, S. A. de C. V. and subsidiaries, a majority owned subsidiary since December 13, 2001 (See Note 1), which statements reflect total assets and revenues of Ps.4,436,636,000 and Ps.365,000,000, representing 36% and 5% of Arca's consolidated assets and revenues, as of and for the year ended December 31, 2001, respectively. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Embotelladoras Argos, S. A. de C. V. and subsidiaries, is based solely on the report of the other independent accountants.

2. We conducted our audits in accordance with generally accepted auditing standards. 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.

3. During the second half of 2001 Arca combined the business operations and assets of Empresas El Carmen, S. A. de C. V. (Arma) and Embotelladoras Argos, S. A. (Argos). On August 9, 2001, Procor purchased from The Inmex Corporation, 12% of the shares of capital stock of Arma for Ps.391,119,000 (U.S.43 million).

   On August 24, 2001, the shareholders of Procor and Promotora Empresarial Arma, S. A. de C. V. (Premarsa), an affiliate of Arma, and the remaining stockholders of Arma approved the merger of Arma and Premarsa into Procor, and the change of Procor's corporate name to Embotelladoras Arca, S. A. de C. V. The merger of Arma and Premarsa into Procor became effective on October 2, 2001. On December 10, 2001 Arca purchased from The Inmex Corporation 20.76% of the shares of capital stock of Argos for Ps.1,391,072,400 (U.S.151 million). Arca's purchases of the Arma and Argos shares from The Inmex Corporation was funded by cash on hand and the proceeds of a three year term syndicated loan having an original principal amount of Ps.1,650,456,000 (U.S.180 million). On December 13, 2001, Arca completed an exchange offer pursuant to which Arca offered to exchange the remaining 79.24% of the shares of the capital stock of Argos for an aggregate of 29.30% of the shares of Arca's common stock. As a result of the exchange offer, Arca became owner of 99.68% of the shares of the capital stock of Argos. Integration costs amounting Ps.17,893,000, for these transactions are shown as an extraordinary item in the consolidated statement of income (see Note 2).

4. As mentioned in Note 2, effective January 1, 2000, the Company adopted the provisions established by revised Bulletin D-4 "Accounting Treatment of Income Tax, Assets Tax and Employee Statutory Profit-sharing", issued by the Mexican Institute of Public Accountants, which effects are described in such note.

5. In our opinion, based on our audits and the report of the other independent accountants, 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, 2001 and 2000, and the consolidated results of their operations, the changes in their stockholders' equity and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles.

PricewaterhouseCoopers

C.P. José Antonio Quesada Palacios

Embotelladoras Arca, s. a. de c. v., and subsidiaries

CONSOLIDATED BALANCE SHEETS

(Notes 1, 2 and 3)
(thousands of pesos of December 31, 2001 purchasing power)

ASSETS

		December 31, 2001		December 31, 2000
Current assets				
Cash and cash equivalents	Ps.	971,750	Ps.	918,983
Trade accounts receivable (less allowance for doubtful accounts of Ps.32,452 in 2001 and Ps.14,508 in 2000)		349,216		177,968
Other accounts receivable		154,857		31,894
Inventories (Note 4)		1,150,872		466,074
Prepaid expenses		11,060		3,066
Total current assets		2,637,755		1,597,985
Investment in shares (Note 5)		71,248		184,580
Property, plant and equipment, net (Note 6)		7,441,739		3,553,035
Goodwill		2,092,070		
Other assets		63,293		14,928
Total assets	Ps.	12,306,105	Ps.	5,350,528

LIABILITIES AND STOCKHOLDERS' EQUITY

		December 31, 2001		December 31, 2000
Current liabilities:				
Bank loans (Note 7)	Ps.	156,114		
Suppliers		362,487	Ps.	163,465
Other accounts payable and accrued expenses		884,036		397,324
Total current liabilities		1,402,637		560,789
Bank loans (Note 7)		1,937,440		
Liabilities for pension plans and seniority premiums (Note 8)		177,032		87,520
Deferred income tax and other long term liabilities (Notes 2.p. and 10)		1,374,451		559,701
Total liabilities		4,891,560		1,208,010
Stockholders' equity (Note 9):				
Contributed capital stock		3,643,075		1,309,067
Premium on issuance of capital stock		539,965		
Retained earnings		4,823,671		4,715,789
Cumulative translation adjustment		2,824		3,702
Deficit on restatement of capital		(1,604,259)		(1,886,040)
Total stockholders' equity (majority interest)		7,405,276		4,142,518
Minority interest		9,269		
Total stockholders' equity		7,414,545		4,142,518
Commitments and contingencies (Note 15)				
Total liabilities and stockholders' equity	Ps.	12,306,105	Ps.	5,350,528

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

Miguel Antonio Fernández Iturriza
Chief Executive Officer

Adrián Wong Boren
Chief Financial Officer

EMBOTELLADORAS ARCA, S. A. DE C. V., AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

Statement of income

(Notes 1 and 2)
(thousands of pesos of December 31, 2001 purchasing power)

		December 31, 2001		2000
Net sales	Ps.	6,937,210	Ps.	5,358,003
Cost of sales		(2,936,603)		(2,470,106)
Gross margin		4,000,607		2,887,897
Selling expenses		(1,935,088)		(1,090,104)
Administrative expenses		(688,560)		(499,066)
		(2,623,648)		(1,589,170)
Operating income		1,376,959		1,298,727
INTEGRAL COST OF FINANCING:				
Financial income, net		47,918		92,939
Exchange (loss) gain, net		(18,604)		3,267
Loss on monetary position		(11,444)		(34,237)
		17,870		61,969
		1,394,829		1,360,696
Other expense, net		(101,421)		(1,836)
Income before income tax and employees' profit sharing		1,293,408		1,358,860
PROVISIONS FOR (Note 10):				
Income tax		(561,610)		(486,318)
Deferred income tax		48,513		32,302
Employees' profit sharing		(166,781)		(144,852)
		(679,878)		(598,868)
Income before equity in income of affiliates and extraordinary expenses		613,530		759,992
Equity in income of affiliates		5,158		
Consolidated net income before extraordinary item		618,688		759,992
EXTRAORDINARY ITEM:				
Integration expenses (Note 2)		(17,893)		
Consolidated net income		600,795		759,992
Minority interest		(78)		
Net income corresponding to majority interest	Ps.	600,717	Ps.	759,992
Earnings per share applicable to majority interest	Ps.	1.2155	Ps.	1.7494

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

Miguel Antonio Fernández Iturriza
CHIEF EXECUTIVE OFFICER

Adrián Wong Boren
CHIEF FINANCIAL OFFICER

EMBOTELLADORAS ARCA, S. A. DE C. V., AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Statement in financial position

(Note 8)
(thousands of pesos of December 31, 2001 purchasing power)

		December 31, 2001		2000
OPERATIONS:				
Consolidated net income before extraordinary item	Ps.	618,688	Ps.	759,992
Minoritary interest		(78)		
ITEMS NOT AFFECTING RESOURCES:				
Bad debts allowance		11,543		288
Depreciation		383,168		294,716
Liabilities for pension plans and seniority premiums		45,313		17,408
Equity in net income of subsidiaries		(5,158)		
Goodwill amortization		12,739		
Deferred income tax		(48,513)		(32,301)
		1,017,702		1,040,103
CHANGES IN WORKING CAPITAL:				
Trade and other accounts receivable		(19,176)		(2,613)
Inventories		(76,613)		(32,141)
Prepaid expenses and other assets		14,110		(129)
Suppliers		(59,351)		(52,616)
Net assets derived from merged companies, deducted with cash and temporary investments		(1,420,757)		
Net assets derived from acquired companies, deducted with cash and temporary investments		(2,932,536)		
Goodwill from acquired companies		(950,185)		
Cumulative translation adjustment		(221)		(354)
Other accounts payable and accrued expenses		(147,734)		185,574
		(5,592,463)		97,721
Resources (used) provided by operations before extraordinary item		(4,574,761)		1,137,824
Extraordinary item (integration expenses)		(17,893)		
Resources (used) provided by operations		(4,592,654)		1,137,824
FINANCING:				
Bank loans		1,667,887		
Increase in stockholders' equity from merger		1,420,061		
Increase in capital stock from shares issuance		2,338,322		
Dividends declared		(1,117,232)		(290,639)
		4,309,038		(290,639)
INVESTMENT:				
Investment in shares		143,345		9,428
Property, plant and equipment, net		193,038		(258,272)
		336,383		(248,844)
Increase in cash and temporary investments		52,767		598,341
Cash and temporary investments at beginning of year		918,983		320,642
Cash and temporary investments at end of year	Ps.	971,750	Ps.	918,983

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

Miguel Antonio Fernández Iturriza
CHIEF EXECUTIVE OFFICER

Adrián Wong Boren
CHIEF FINANCIAL OFFICER

Statement of changes

Embotelladoras Arca, s. a. de c. v., and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Note 9 and 12)
(thousands of pesos of December 31, 2001 purchasing power)

	Contributed Capital		Earned surplus					
	Capital stock	Premium on issuance of capital stock	Retained earnings	Cumulative translation adjustment	Deficit on restatement of capital	Total stockholders' equity (majority interest)	Minority interest	Total stockholders' equity
Balances at December 31, 1999	Ps. 1,309,067		Ps. 4,848,306	Ps. 4,117	Ps. (1,732,763)	Ps. 4,428,727		Ps. 4,428,727
Changes in 2000:								
Dividends declared			(290,639)			(290,639)		(290,639)
Comprehensive income			158,122	(415)	(153,277)	4,430		4,430
Balances at December 31, 2000	1,309,067		4,715,789	3,702	(1,886,040)	4,142,518		4,142,518
Changes in 2001:								
Dividends declared			(1,117,231)			(1,117,231)		(1,117,231)
Increase in stockholders equity derived from merging Empresas El Carmen, S. A. de C. V. and Promotora Empresarial Arma, S. A. de C. V. (See Note 12)	205,854	$ 330,158	808,094		260,014	1,604,120		1,604,120
Decrease in capital stock derived from canceling the investments in shares of Empresas El Carmen, S. A. de C. V. (See Note 12)	(361)		(183,698)			(184,059)		(184,059)
Increase in capital stock from issuance of new shares to be exchanged with Embotelladoras Argos, S. A. de C. V. shares (See Note 12)	2,128,515	3,169,552				5,298,067	Ps. 9,191	5,307,258
Goodwill derived from the acquisition of Embotelladoras Argos, S. A. de C. V. shares, charged-off to paid in capital coming from the issuance of the new exchanged shares (See Note 12)		(2,959,745)				(2,959,745)		(2,959,745)
Minority's interest on the December 31, 2001 income							78	78
Comprehensive income			600,717	(878)	21,767	621,606		621,606
Balances at December 31, 2001 (Note 9)	**Ps. 3,643,075**	**Ps 539,965**	**Ps. 4,823,671**	**Ps. 2,824**	**Ps. (1,604,259)**	**Ps. 7,405,276**	**Ps. 9,269**	**7,414,545**

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

Miguel Antonio Fernández Iturriza
Chief Executive Officer

Adrián Wong Boren
Chief Financial Officer

Embotelladoras Arca, s. a. de c. v., and subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended December 31 2001 and 2000

(In thousands of pesos of purchasing power as of December 31, 2001 except otherwise indicated)

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.

The Company is engaged in the production, bottling, sale and distribution of soft drink beverages, including soft drink products under the trademarks of The Coca-Cola Company (TCCC), and a variety of products sold under the Company's proprietary and non-proprietary trademarks. The Company has the exclusive rights to sell and distribute such products in certain markets in the northern region of Mexico, such as Sonora, Chihuahua, Coahuila, Nuevo León, Durango, Zacatecas, Tamaulipas, Sinaloa, San Luis Potosi, Baja California Norte and Baja California Sur.

NOTE 2 - ACQUISITIONS

On August 9, 2001 and December 10, 2001 Procor purchased from the Inmex Corporation (Inmex), a subsidiary of TCCC, shares representing 12% and 20.76% of the outstanding share capital of Empresas el Carmen, S. A. de C. V. (Arma) and Embotelladoras Argos, S. A. (Argos), respectively.

Procor's purchases of the Arma and Argos shares from Inmex was funded by cash on hand and the proceeds of a three year term syndicated loan having an original principal amount of Ps.1,650,456 (U.S.180 million) (See Note 7).

The assets acquired and liabilities assumed were recorded at book value. 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.175,581, for the acquisition of shares of Arma and Ps.775,954, for the acquisition of shares of Argos.

On August 24, 2001, the shareholders of Procor, Empresas el Carmen S. A. de C. V. (Arma) and Promotora Empresarial Arma, S. A. de C. V. (Premarsa), an affiliate of Arma agreed to merge Arma and Premarsa into Procor. The merger was approved in the respective stockholders' meetings held on August 24, 2001. As a result of the merger, Arma and Premarsa were absorbed by Arca, which remained as the surviving company. As from the date the merger became effective all the assets and liabilities of Arma and Premarsa have been transferred to Arca, and the change of Procor's name to Embotelladoras Arca, S. A. de C. V. (Arca)

On October 2, 2001 the merger of Arma, Premarsa and Procor and the formation of Arca became effective.

On December 13, 2001 Arca completed an exchange offer for the remaining 79.24% of Argos' outstanding shares. As a result of the exchange offer, Arca became owner of 99.68% of the shares of the capital stock of Argos. Following the merger, the increase in paid in capital and the related charged-off of goodwill arising from the exchange offer has been presented net in the consolidated financial statements. Integration costs amounting Ps.17,893 are shown in the consolidated financial statements as an extraordinary item.

The operations of Arma and Premarsa are reflected in Arca's combined results from August 1st, 2001 (resulting in 153 days of actual operations for 2001). The operations of Argos are reflected in Arca's combined results from December 1st, 2001 (resulting in 31 days of actual operations).

Proforma statement of income shows the combined results of Procor, Arma and Argos as if they had been incorporated since January 1st, 2001:

		Year ended December 31, 2001
Net sales	Ps.	13,100,463
Cost of sales		(6,080,886)
Gross margin		7,019,577
Selling expenses		(3,283,331)
Administrative expenses		(1,157,099)
		(4,440,430)
Operating income		2,579,147
Comprehensive financing income:		
Financial income, net		5,541
Exchange loss, net		(22,245)
Gain on monetary position		3,704
		(13,000)
Other expense, net		(118,340)
Income before the following provisions		2,447,807
Provisions for:		
Income tax		926,247
Employees' profit sharing		303,462
Income before equity in income of associated companies		1,218,098
Equity in income of associated companies and extraordinary item		(14,823)
Consolidated net income	Ps.	1,203,275

Proforma's depreciation and amortizationwould be Ps.661,842.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Company 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 generally accepted accounting principles.

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.

b. Basis of consolidation

The consolidated financial statements include the net assets and results of operations of all companies in which Embotelladoras Arca, S. A. de C. V. has a controlling interest. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

As of December 31, 2001, the percentage investment in subsidiaries, directly or indirectly, is as follows:

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.

Former Arma 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. (Pacífico)
Compañía Embotelladora de Baja California Sur, S. A. de C. V. (BCS)
Industrial de Plásticos Arma, S. A. de C. V. (b)

Argos companies (99.68%):

Embotelladora de la Frontera, S. A. de C. V.
Compañía Embotelladora de Nueva Obregón, S. A. de C. V. (Obregón)
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. (Mexicali)
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. (a) (Pijsa)

Holdings, real estate and service companies

Former Procor companies (100%):

Servicios Administrativos Procor, S. A.
Publicidad Eficaz, S. A.
Proveedora Omicrón, S. A. de C. V. (e)
Interex Corp. (c)
Inmobiliaria Barvi, S. A. de C. V. (Barvi)

Former Arma companies (100%):

Corporativo Arma, S. A. de C. V.
Arrendamientos y Fomento Industrial del Pacífico, S. A.

Argos companies (99.68%):

Embotelladoras Argos, S. A.
Cuncalín, S. A. de C. V.
Administradora Argos, S. A. de C. V.
Distribuidoras Argos, S. A. de C. V.
Impulsora Pajime, S. A. de C. V.
Arrendadora de Chihuahua, S. A. de C. V.
Refrigeradora de Parral, S. A. de C. V.
Inmuebles Triunfo del Norte, S. A. de C. V. (Triunfo) (d)
Inmobiliaria Infer, S. A. de C. V.
Sichisa, S. A. de C. V.
Inmobiliaria So-Ga, S. A. de C. V.

(a) This company was acquired by Argos in July 2001.
(b) Precedent owner company was Premarsa
(c) This subsidiary is a foreign corporation operating in the U. S. A.
(d) This subsidiary was incorporated in 2001.
(e) In March 2002 changed its name to Corporativo Arca, S. A. de C. V.

c. Foreign currency translation

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, 2001, as follows:

- Financial statements are restated to year-end constant local currencies following the provisions of Bulletin B-10 issued by the Mexican Institute of Public Accountants (MIPA), applying the General Consumer Price Index (GCPI) of the foreign country, which reflects the change in purchasing power of the local currency in which the foreign subsidiary reports its operations.

- Assets, liabilities and expenses are translated to Mexican Pesos applying the exchange rate in effect at each period ended. The stockholders' equity balances are translated by applying the exchange rate in effect at the dates in which the contributions were made and income was generated. The effects of translation are recognized as a component of equity.

Monetary assets and liabilities denominated in foreign currencies, mainly U.S. dollars (U.S.), are translated at the prevailing exchange rate at the balance sheet date. Resulting exchange rate differences are recognized in income for the year, under integral cost of financing.

d. Recognition of the effects of inflation

- The consolidated financial statements have been prepared in accordance with Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information", as amended (Bulletin B-10), which provides guidance for the recognition of the effect of inflation. The consolidated statements of income and changes in stockholders' equity were restated by applying National Consumer Price Index (NCPI) factors from the periods in which the transactions occurred.

- The consolidated statements of changes in financial position present, in Mexican pesos of constant purchasing power, the resources provided by or used in operating, financing and investing activities.

- For comparability purposes, prior years financial statements have been restated to Mexican pesos in purchasing power as of December 31, 2001, by using a restatement factor derived from the NCPI, as follows:

	Inflation for the period	Cumulative inflation as of the period ended on December 31, 2001
2001	4.40%	**4.40%**
2000	8.96%	**13.76%**
1999	12.32%	**27.77%**

The methodology used to restate financial statement items is as follows:

- Restatement of non-monetary assets

  Bottles and cases and their correspondent cost of sales are restated using the estimated replacement cost method. Real estate, buildings and equipment are restated by applying the inflation factors derived from the NCPI.

- Restatement of stockholders' equity

  – Restatement of capital stock, paid-in capital and retained earnings

    The restatement of capital stock, paid-in capital, retained earnings, and income of the year is determined by applying NCPI factors from the dates on which capital was contributed and paid-in capital and earnings were generated; such restatement reflects the amounts necessary to maintain the stockholders' investment at the purchasing power of the original amounts.

  – Deficit from restatement

    This component represents the difference between the replacement cost values of non-monetary assets and the historical cost of those assets restated for inflation, as measures by NCPI factors.

- Integral cost of financing

  Monetary position gain (loss) represents the effect of inflation, measured by the NCPI, on the net balance of monetary assets and liabilities at the beginning of each month as expressed in local currency. 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.

  Exchange gains or losses included in the integral cost of financing are calculated by translating monetary assets and liabilities denominated in foreign currencies (see Note 11) at the rate of exchange in effect at the end of each month.

  Interest expense and interest income are also included in the integral cost of financing.

- Statement of changes in financial position

  Bulletin B-12, issued by the MIPA, specifies the appropriate presentation of the statement of changes in financial position when the financial statements have been restated in constant monetary units. Bulletin B-12 identifies the sources and applications of resources as the differences between beginning and ending financial statement balances in constant monetary units. The Bulletin also requires that monetary and foreign exchange gains and losses not be treated as non-cash items in the determination of resources provided by operations.

  The statement of changes in financial position separately discloses the effect on investing and financing activities of translating the financial statements of non-Mexican companies to Mexican Pesos, net of the related effects of inflation. The translation effects of operating assets and liabilities are included in the stated change in the related item.

e. Cash and cash equivalents

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

f. Marketable securities

Marketable securities are generally classified and accounted for as available-for-sale. Management determines the appropriate classification of debt and equity securities at the time of purchase and reassesses the classification at each reporting date.

Investments in marketable securities available for current operations are classified in the consolidated balance sheet as current assets and are reported at fair value with unrealized gains and losses recognized in net income.

Gains and losses on securities sold are determined based on the specific identification method and are included in other income. The Company does not hold these securities for speculative or trading purposes.

g. Inventories and cost of sales

Raw material, work in process and finished products are stated at the lower of 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.

Bottles and cases inventories are recorded at acquisition cost and restated to their replacement cost.
Breakage of bottles and cases is recognized in income as it is incurred.

h. Investment in common stock

Investments in common stock with ownership between 10% and 50% of the investees' voting stock, or where the Company exercises significant influence, are accounted for by the equity method. Investments in 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

Property, plant and equipment are recorded at acquisition cost, restated by using inflation factors derived from the NCPI. 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	3%
Machinery and equipment	6%
Transportation equipment	17%
Refrigerators	10% and 20%
Computer equipment	20%
Office equipment	10%

j. Goodwill

Goodwill represents the excess of cost of businesses acquired over the book value of asset acquired and liabilities assumed, and is amortized on a straight-line basis 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

The Company evaluates the carrying value of 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 net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell.

m. Seniority Premiums Plans and Indemnities

Seniority premiums to which employees are entitled after 15 years of service are charged to income as determined by annual actuarial calculations.

Other compensation based on length of service to which employees may be entitled in the event of dismissal or death, in accordance with the Mexican Labor Law, is charged to income in the year in which it becomes payable.

The established plans are as follows:

	Companies belonging to former:
Seniority premiums	Procor, Argos, Arma and Premarsa
Pensions	Procor and Argos
Postretirement benefits	Procor

n. Financial instruments

The company uses derivative financial instruments to hedge its foreign currency exposure, mainly denominated in U.S. dollars. Whenever there are unrealized gains or losses generated by the foreign currency forward contracts, those are recognized in the income statement.

o. Revenue recognition

Revenues are recognized upon shipment to, and acceptance by the Company's customer, or when the risk of ownership has been passed to the customer.

p. Income tax, asset tax and employees' profit sharing

Effective January 1, 2000 the Company adopted the provisions established by the revised Bulletin D-4 "Accounting Treatment of Income Tax, Asset Tax and Statutory Employees' Profit Sharing", issued by the MIPA; therefore, the Company 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. The cumulative effect as of January 1, 2000 of this accounting change required the recognition of a net liability for deferred income tax of Ps.601,870, which reduced the stockholders' equity for the same amount (see Note 10).

q. Incentive payments from The Coca Cola Company (TCCC)

TCCC participates in the advertising and promotional programs of the Company. The resources received for advertising and promotional incentives are included as a reduction of selling expenses or are included as a reduction in the purchase prices of the products acquired from TCCC.

r. Net income per share

Earnings per share are computed on the basis of the weighted average number of common shares outstanding during the year. There are no effects arising from potentially dilutive shares. In accordance with Bulletin B-14, "Income per share", this caption represents the net income corresponding to each share of the Company's capital stock.

s. Shares held in treasury

These shares are included at the authorized stockholders' equity, and were issued to be subscribed, however they were not and therefore they have been held in treasury.

t. Concentration risk

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

The Company 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 the north of Mexico where the Company operates. The Company maintains allowances for doubtful accounts based on the expected collectibility of all receivables.

u. Incentive payments from TCCC

The advertising major national campaigns of the Coca Cola products are coordinated at national level, jointly with TCCC procedures, following the line of those ones at world standards; some other minor campaigns are coordinated at the region where the Company operates, and are more related with the owned local brands. The campaigns costs are primarily charged to each company in proportion of its sales and certain parameters determined by the Company and TCCC, and latterly TCCC participates by giving promotional incentives which are included as a reduction in the purchase prices of the products acquired from TCCC.

v. Comprehensive income

Effective January 1, 2001, the Company adopted the provisions of Bulletin B-4 “Comprehensive Income”. Bulletin 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.

As of December 31, 2001 and 2000, comprehensive income comprises the following items:

		December 31, 2001		2000
Net income	Ps.	600,717	Ps.	759,992
Initial effect of the adoption of Statement D-4				(601,870)
		600,717		158,122
Loss from holding non-monetary assets		21,767		(153,277)
Cumulative translation adjustment		(878)		(415)
		20,889		(153,692)
Comprehensive income, net	Ps.	621,606	Ps.	4,430

w. New accounting bulletins

In January 2002, the MIPA issued Statement C-8 “Intangible Assets” effective as from January 1, 2003. This statement establishes criteria for the recognition of intangibles assets, as well as their accounting treatment through particular valuation, disclosure and presentation regulations.

In December 2001, the MIPA issued Statement C-9 “Liabilities, provisions, contingent assets and liabilities and commitments” effective as from January 1, 2003. This statement establishes the particular valuation, disclosure and presentation regulations of liabilities and provisions, as well as those for commitments and contingent assets and liabilities.

The Company’s Management believes the implementation of these bulletins are not going to affect their figures significantly.

NOTE 4 - INVENTORIES

Inventories consist of the following:

		December 31, 2001		2000
Raw materials and work in process	Ps.	201,694	Ps.	106,376
Finished products		135,033		47,745
Materials and spare parts		175,758		65,950
Bottles and cases		609,372		219,216
Advances to suppliers and other		29,015		26,787
	Ps.	1,150,872	Ps.	466,074

NOTE 5 - INVESTMENT IN SHARES

This investment, with a book value of Ps.71,248 and Ps.184,580 (Note 2.f.) as of December 31, 2001 and 2000, respectively, is represented, basically by certain shares of public companies listed in the Mexican Stock Exchange, which were disposed in July and August 2001, as a consequence of Arca’s integration mentioned in Note 2, and shares of companies related with the Company’s activities (Promotora Mexicana de Embotelladoras, S. A. de C. V. and Envasadora de Querétaro, S. A. de C. V.). As of December 31, 2000 the market value of the disposed shares was approximately $168,209.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

		December 31, 2001		2000
Buildings	Ps.	2,196,696	Ps.	888,371
Machinery and equipment		5,848,703		2,807,381
Transportation equipment		2,357,444		858,578
Refrigerators and other fixed assets		1,185,866		666,252
		11,588,709		5,220,582
Accumulated depreciation		(5,518,903)		(2,535,930)
Land		1,123,851		811,919
Construction in progress and other		248,082		56,464
Total fixed assets	Ps.	7,441,739	Ps.	3,553,035

Depreciation charged to income in 2001 and 2000 was of Ps.383,168 and Ps.294,716, respectively.

NOTE 7 - SHORT-TERM AND LONG-TERM DEBT

On November 30, 2001, the Company entered into a credit agreement (Credit Agreement) with a group of banks for an amount of Ps.1,650,456 (U.S.180 million), maturing in 2004 and bearing interest at Libor rate plus a margin of 1% to 1.25% payable on a quarterly basis.

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

		December 31, 2001
Unsecured and syndicated term loan in U.S. dollars maturing in 2004 and bearing interest rate at an annual rate of Libor plus 1.00% to 1.25%, payable quarterly	Ps.	2,062,071
Mortgage loans		6,623
Long -term obligation under capital lease agreements		24,860
		2,093,554
Short-term debt		(15,000)
Current portion of long-term debt		(141,114)
Short-term debt		(156,114)
Long-term debt	Ps.	1,937,440

The proceeds of the Credit Agreement were used to acquire shares of Argos and Arma owned by Inmex (See Note 2).

The Credit Agreement is guaranteed by the Company's material subsidiaries. Under the terms of the Credit Agreement, the Company is required to maintain certain financial ratios and other financial conditions. The Credit Agreement also prohibits the Company from making certain investments, advances or loans and restricts substantial asset sales, capital expenditures and cash dividends. The Company is in compliance with its various covenants under the Credit Agreement.

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, etc. As of December 31, 2001 the Company is in compliance with these covenants and financial ratios.

The effective weighted average interest rates for borrowings during 2000 and 2001 were as follows:

	December 31, 2001	2000
Mexican pesos	12.57	14.74
U.S. dollars	8.98	6.55

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

		December 31, 2001
2003	Ps.	235,474
2004		1,692,324
2005		8,880
2006		762
	Ps.	1,937,440

NOTE 8 - PENSION PLANS AND SENIORITY PREMIUMS

As mentioned in Note 2.m., the Company has several employees' benefit plans. The valuation of the liabilities for employee retirement plans (pensions, seniority premiums and postretirement benefits), formal or not, covers all employees included in the plans, and is based primarily on their salary and years of service rendered.

Pensions and seniority premiums amounts are actuarially determined in accordance with Bulletin D-3. Under Bulletin D-3 issued by MIPA, the actuarial calculations are determined by using real assumptions (net of inflation) and attributing the present value of all future expected benefits proportionately over each year from date of hire to 65.

Some of the Company's subsidiaries make voluntary contributions from time to time for the pension, postretirement and seniority premium plans which are generally deductible for tax purposes. As of December 31, 2000 and 2001, the assets of the pension, postretirement and seniority premium trusts are invested in bonds and securities issued by the Mexican Government.

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

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

		December 31, 2001		2000
Projected benefit obligation	Ps.	523,947	Ps.	183,108
Transition liability		(225,247)		(29,029)
Unamortized actuarial gains and losses		(20,858)		(4,017)
Plan assets		(157,213)		(76,428)
Projected net liability	Ps.	120,629	Ps.	73,634
Accumulated benefit obligation	Ps.	322,257	Ps.	147,288
Plan assets		(157,213)		(76,428)
Accumulated net liability	Ps.	165,044	Ps.	70,860
Liability for pension plans and seniority premiums booked	Ps.	177,032	Ps.	87,520
Net cost for the year	Ps.	62,764	Ps.	17,408

The Company merged Arma and Premarsa on August 24, 2001, and acquired Argos on December 13, 2001, including in the case its pension and seniority premiums plans. The integrated companies' plans were not amended in 2001 to establish parity with the benefits provided by Arca (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, as follows:

	December 31, 2001	2000
Amortization period of transition liability (in years) (*):		
Pension plans and seniority premiums	10	10
Average remaining service life:		
Pensions	22	21
Seniority premiums	17	16
Postretirement benefits	19	–
Weighted discount rate (h)	4%	4%
Estimated return on plan assets (h)	6%	4.5%

(h) in real terms.

(*) Corresponding to formerly Procor subsidiaries

NOTE 9 - STOCKHOLDERS' EQUITY

As of December 31, 2001 the stockholders' equity consists of the following:

		Nominal value		Restatement		Total
Stockholders' equity	Ps.	49,818	Ps.	3,593,257	Ps.	3,643,075
Premium on issuance of capital stock		531,870		8,095		539,965
		581,688		3,601,352		4,183,040
Retained earnings		4,721,551		102,120		4,823,671
Cumulative translation adjustment and other		2,824				2,824
Deficit on restatement of capital				(1,604,259)		(1,604,259)
		4,724,375		(1,502,139)		3,222,236
Total stockholders' equity (majority interest)		5,306,063		2,099,213		7,405,276
Minority interest		9,269				9,269
Total stockholder's equity	Ps.	5,315,332	Ps.	2,099,213	Ps.	7,414,545

The authorized capital stock is variable with a fixed minimum of Ps.46,360, and a variable portion that shall not exceed ten times the fixed portion. At December 31, 2001, the issued nominal capital stock is represented as follows:

	Shares		December 31, 2001
Subscribed and paid-in fixed capital	435,010,131	Ps.	46,178
Variable capital portion	371,009,528		2,086,776
Treasury stock (*)	118,206,749		
	924,226,408	Ps.	2,132,954

(*) Corresponding to variable capital stock shares issued but not subscribed, amounting Ps.22,962. The stockholders' equity had a zero effect, increasing and decreasing it in the same amount.

Arca's capital stock consists of a minimum fixed portion, which cannot be withdrawn by the shareholders, and a variable portion. The variable portion of our capital stock may not exceed ten times the amount of the minimum fixed portion. Arca's capital stock is represented by a single series of shares of common stock, no par value, issued in registered form, which are not subject to any ownership restrictions. All the shares of capital stock carry identical rights and obligations.

During the general ordinary shareholders meeting held November 5th, 2001, the stockholders approved an increase in the minimum fixed portion of the capital stock, in the amount of Ps.45,160, and the issuance of 236,413,498 new shares of common stock to represent such capital increase. At this meeting, all the shareholders expressly waived their preemptive rights to subscribe the new shares, and authorized the Company to offer the shares for their subscription in a future offering.

Under Mexican Stock Market Law, Arca's profits for each fiscal year (net of all tax provisions, any other statutory provisions, and the amortization of losses from previous years), as reflected in the financial statements approved by the general ordinary shareholders meeting, must be allocated as follows:

- at least 5% of such net profits shall be segregated and allocated to a legal reserve fund, until such fund reaches an amount equal to 20% of our paid-in capital;
- such other amounts as the stockholders meeting may determine shall be segregated and allocated to any other general or special reserve funds; and
- the balance, if any, shall be available for its distribution as cash dividends to the shareholders.

Before Arca may pay any dividends it must obtain the approval of the stockholders at an ordinary shareholders meeting, generally, but not necessarily, based upon a recommendation by its board of directors.

Approximately 53% of the Arca's outstanding shares of common stock are subject to a voting trust. Under the terms of the voting trust, at least 85% of the shares subject to the voting trust must approve the distribution of any dividend. In the event that, in any given year, no dividend is approved by the shareholders subject to the voting trust, an amount equal to 30% of Arca's net profits for the previous fiscal year will automatically be declared as a dividend and will be distributed to the stockholders unless its Management certifies that the declaration of the dividend or the subsequent distribution would breach the terms of a financial covenant contained in any of its debt instruments.

All fully paid shares at the time of the decree of any dividend 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 dividend in proportion to their paid amount.

A 53.85% tax is payable by the Company if dividends are paid from earnings that have not been subject to Mexican income tax. Additional, dividends paid to individuals and foreign residents will be subject to a maximum withholding tax of 7.69.

In the event of capital stock reductions, any excess of stockholders' equity over capital contributions, calculated in accordance with the procedures established by the Mexican Income Tax Law, is accorded the same tax treatment as dividends.

The deficit on restatement of capital comprises principally the loss from holding nonmonetary assets and represents the difference between restating these assets by the specific cost method and their restatement based on inflation measured in terms of the NCPI.

NOTE 10 - INCOME TAX, ASSET TAX AND EMPLOYEES' PROFIT SHARING

Arca and its subsidiaries, excluding Pijsa and former Arma companies, consolidate their income for income tax and asset tax purposes, however in the case of Argos and former Argos' subsidiaries companies such consolidation is independent of Arca, which continue consolidating in Argos as a tax holding company (See Note 15).

The income tax provision is comprised as follows:

		December 31, 2001		2000
Currently payable:				
Income tax	Ps.	**561,610**	Ps.	486,318
Employees' profit sharing		**166,781**		144,852
		728,391		631,170
Deferred income tax		**(48,513)**		(32,302)
	Ps.	**679,878**	Ps.	598,868

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

	December 31, Rate % (*) 2001	2000
Nominal income tax rate	**35**	35
Net effect of the comprehensive financing cost	**3**	(2)
Net effect of restatement of the statement of operations	**2**	3
Effect of restatement of deferred income tax liability items and others	**(1)**	(2)
Other permanent items	**1**	(1)
Effective income tax rate	**40**	33

(*) Corresponding to formerly Procor Group.

		December 31, 2001		2000
Inventories	Ps.	(1,000,620)	Ps.	(427,861)
Reserve for benefits to employees		98,546		72,592
Tax loss carryforwards		86,598		118,552
Other assets and liabilities		63,910		14,388
Property, furniture and equipment, net		(3,143,016)		(1,376,818)
		(3,894,582)		(1,599,147)
Income tax rate		35%		35%
Deferred tax liability	Ps.	(1,363,104)	Ps.	(559,701)

Asset tax is payable at the rate of 1.8% on the net amount of certain assets and liabilities, but only when the amount of asset tax exceeds the income tax due. Asset tax paid may be recovered in the following ten years, to the extent income tax exceeds asset tax in those years.

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

In accordance with the new Mexican income tax law, effective January 1, 2002, the income tax rate (35%) will be reduced annually by 1% beginning 2003 to 2005, to a nominal rate of 32%. The Company estimated that the effect of the gradual application of the new rate in the calculation of deferred income taxes will be, under the basis determined for 2001, a decrease of approximately Ps.116,838 and an increase in net income in the same amount in 2002 onward.

NOTE 11 - FOREIGN CURRENCY POSITION

At December 31, 2001 and 2000, the exchange rates were: 9.17 and 9.60 nominal pesos to the U.S. dollar, respectively. Amounts shown below in this note are expressed in thousands of U.S. dollars, since this is the currency in which most of the Company's foreign transactions are carried out.

As of December 31, 2000 and 2001 the companies had the following foreign currency assets and liabilities:

		December 31, 2001		2000
Monetary assets	U.S.	34,389	U.S.	25,263
Monetary liabilities		(198,149)		(5,687)
Foreign currency monetary position	U.S.	(163,760)	U.S.	19,576
Non-monetary assets	U.S.	232,299	U.S.	132,324

The non-monetary assets (machinery and equipment) mentioned above, are those built outside of Mexico.

The consolidated amounts of transactions in foreign currencies are as follows:

		December 31, 2001		2000
Exports	U.S.	10,895	U.S.	15,038
Imports		(11,688)		(14,077)
	U.S.	(793)	U.S.	961

NOTE 12 - BUSINESS SEGMENTS

The consolidated business segment information for the year ended December 31, 2001, is as follows:

		East		West		Consolidated
Assets	Ps.	7,342,871	Ps.	4,963,234	Ps.	12,306,105
Liabilities		3,309,304		1,582,256		4,891,560
Net assets	Ps.	4,033,567	Ps.	3,380,978	Ps.	7,414,545
Income	Ps.	6,225,377	Ps.	711,833	Ps.	6,937,210
Expense		4,937,246		623,005		5,560,251
Operating income	Ps.	1,288,131	Ps.	88,828	Ps.	1,376,959

As of December 31 the balances from each of the Arca's integrated groups were as follows:

	Procor	Arma	Argos	Total (Arca)
ASSETS				
Current assets:				
Cash and cash equivalents	Ps. 727,743	Ps. 210,143	Ps. 33,864	Ps. 971,750
Trade accounts receivable, net	163,401	71,323	114,492	349,216
Other accounts receivable	63,028	32,762	59,067	154,857
Inventories	540,472	299,461	310,939	1,150,872
Prepaid expenses	5,008	6,053		11,061
Total current assets	1,499,652	619,742	518,362	2,637,756
Investment in shares	47,420		23,828	71,248
Property, plant and equipment	3,151,303	1,564,683	2,725,752	7,441,738
Goodwill	943,631		1,148,439	2,092,070
Other assets	16,874	26,164	20,255	63,293
Total assets	Ps. 5,658,880	Ps. 2,210,589 (5)	Ps. 4,436,636 (5)	Ps. 12,306,105
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Bank loans		Ps. 688	Ps. 155,427	Ps. 156,115
Suppliers	Ps. 154,707	69,426	138,353	362,486
Other accounts payable and accrued expenses	356,782	133,386	393,868	884,036
Total current liabilities	511,489	203,500	687,648	1,402,637
Bank loans	1,650,456		286,984	1,937,440
Liabilities for pension plans and seniority premiums	116,438	36,001	24,593	177,032
Deferred income tax	573,513	347,275	453,663	1,374,451
Total liabilities	2,851,896	586,776 (5)	1,452,888 (5)	4,891,560
STOCKHOLDERS' EQUITY:				
Contributed capital stock (1)	3,643,075			3,643,075
Premium on issuance of capital stock (2)	539,965			539,965
Retained earnings (3)	4,823,671			4,823,671
Other	2,824			2,824
Deficit on restatement of capital (4)	(1,604,259)			(1,604,259)
Total stockholders' equity	7,405,276			7,405,276
Minoritary interest	9,269			9,269
Total liabilities and stockholders' equity	Ps. 10,266,441			Ps. 12,306,105

(5) Arma's and Argos' net assets amount Ps.1,623,813 and Ps. 2,983,748, repectively.

Includes movements in the stockholders' equity as follows:

	(1)	(2)	(3)	(4)
Increases derived from merging Arma and Premarsa	Ps. 205,854	Ps. 330,158	Ps. 808,094	Ps. 260,014
Decrease derived from canceling the investments in shares of Arma	(361)	(183,698)		
Increase from issuance of new shares of Arca	2,128,515	3,169,552		
Goodwill derived from Argos' merger		(2,959,745)		
	Ps. 2,334,008	Ps. 356,267	Ps. 808,094	Ps. 260,014

NOTE 13 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

As required by the Mexican Stock Market Law and Arca's Bylaws, Arca's Audit Committee must (i) consider and approve any related-party transactions involving U.S.500,000 or more; (ii) make a recommendation to the Board of Directors whether or not to approve any related-party transactions that (a) are out of the ordinary course of business, (b) involve more than 10% of Arca's assets, (c) involve the granting of a security interest or guarantee covering in excess of 30% of its assets, or (d) involve an amount in excess of 1% of its assets (other than with respect to a sale or purchase of assets or a guarantee); and (iii) if necessary, recommend the hiring of an independent expert to issue a fairness opinion with respect to any of the transactions mentioned in (i) or (ii) above.

At December 31, 2001 the balance sheet includes balances with related parties as follows:

	December 31, 2001	December 31, 2000
Innovadora de Esencias Aromas y Sabores, S. A. de C. V. (Ideas) (1)	Ps. (3,775)	Ps. 223
Transportes Especializados Regiomontanos, S. A. de C. V. (Tersa) (2)	(1,091)	(78)
Transportes Frontera de Chihuahua, S. A. de C. V. (TFC) (2)	422	
Criotec, S. A. de C. V. (Criotec) (3)	(697)	
Desarrolladora Corporativo, S. A. de C. V. (Descorp) (4)	(20)	
Sistema Axis, S. A. de C. V. (Saxis) (4)	8,611	
Componentes de Vehículos Recreativos, S. A. de C. V. (Coveresa) (5)	(347)	
Fevisa Industrial, S. A. de C. V. (Fevisa) (6)	(470)	
Industria Envasadora de Querétaro, S. A. de C. V. (Envasa) (7)	(10,810)	(5,529)
Promotora Mexicana de Embotelladoras, S. A. de C. V. (Promesa) (8)	(1,219)	(10,833)
Novamex, S. A. de C. V. (9)	3,956	
Inversora y Desarrolladora, S. A.	88	21
	Ps. (5,352)	Ps. (16,196)

The main transactions with related parties were as follows:

	Operations carried out during The year 2001	Operations carried out during Consolidated period 2001	Consolidated period 2000
EXPENDITURES:			
Purchase of products (1)	Ps. 50,338	Ps. 47,694	Ps. 38,400
Freights (2)	88,192	64,740	58,770
Purchase of refrigerators (3)	29,110	1,708	
Leasing (4)	1,704	630	
Bodyworks and maintenance (5)			
Acquisition of bottles (6)	64,569	400	
Purchase of products can bottled (7)	279,438	186,870	199,940
Sugar purchases (8)	892,510	572,573	465,126
INCOME (LOSS):			
Leasing	2,732	2,732	4,207
Securities and bonds sales (4)	(49,033)	(49,033)	
Fixed assets sales (4)	(19,355)	(19,355)	
Production and sales (9)	193,868		

The following are among the affiliated transactions in which Arca have engaged:

(1) Acquisition of Concentrates for the Company's Joya Products: Arca purchases all of its concentrate requirements for its Joya products from Ideas, a company owned by some of its stockholders. Although there is no written agreement that governs this relationship, the prices of the concentrates are determined on an arms' length basis.

(2) Transportation Arrangements: Tersa, a transportation company owned by some of the Arca's stockholders, transports finished products from some of the eastern divission plants to several warehouse distribution centers located in other cities in the states of Nuevo León and Tamaulipas. Although there is no written agreement that governs this relationship, freight costs are determined on an arms' length basis.

TFC, a company in which one of its officers and several relatives of its stockholders have a majority interest, transports finished products from the Culiacán, Obregón and Hermosillo plants to various warehouse distribution centers in the states of Sonora and Sinaloa. The transportation agreement sets forth the applicable freight costs, which were determined on an arms' length basis.

Other Related Party Transactions:

(3) Arca purchases refrigerators, freezers, and spare parts from Criotec, a company owned by one of its stockholders.

(4) Descorp was incorporated in May 2001, and its mayor activities are related with real state and building leasing. This company acquired some of the fixed assets disponed by some of the former Procor companies, occurred before mergers and acquisitions mentioned in Notes 2 and 3.

Saxis is a company owning the building used by some Argos companies. Saxis and Arca have same common shareholders, since the exchange offer mentioned in Note 2 took place. This company acquired some of the disponed fixed assets agreed by the stockholders before Arca's integration. No operations were made with this company during the consolidated period. Similaraly some Argos subsidiaries have Saxis as a user of leasing services.

(5) Arca purchases bodyworks for its soft drink delivery trucks from Coveresa, a company owned by several of Arca's shareholders. There were no operations with this company during the year and the consolidated period.

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

(7) Envasa is a company dedicated to the production of some can bottled Coca-Cola brand beverages. The consolidated ownership of Arca in this company is 23.6%, and former Procor and Arma companies acquired from Envasa all the Coca-Cola products bottled in cans.

(8) Arca and its subsidiaries own 15% of the Promesa's stockholder equity. This company is dedicated to trade with the acquisition and selling of sugar to its shareholders, which are most of the Coca-Cola bottlers established in Mexico.

(9) Novamex is a subsidiary of Saxis and its main activity is the trading of certain own brand beverages produced by some Argos companies. The operations with this company were cancelled in the year 2001, however there is still a balance at year-end.

Barvi is the owner of some land and buildings used for the operation of Ideas as well as Tersa. Barvi, one of the Arca's subsidiaries, owns and leases to Ideas and Tersa several buildings and other real property.

The transactions above mentioned have been carried out as a normal part of the companies' business cycle, related with the attached financial statements. Management estimates that sales and tariffs are made at effective market prices.

During the periods reported, there were some minor intercompany operations carried out in relation with the acquisition of certain fixed assets and other non relevant office expenses (paper, pressing, promotion and intermediation in any kind of insurance coverage).

NOTE 14 - FINANCIAL INSTRUMENTS

At December 21, 2001 Arca acquired from Comerica Bank (Comerica) an agreement of Foreign Exchange Option Transaction (the Option) in the amount of U.S.100 million, specifically a Zero Cost Range Forward, which means that Arca got a zero cost or no premium agreement. The expiration date was February 22, 2002, and at this date the agreement was renewed for two months. Under the new agreement (expiring on April 22, 2002) Arca is obligated to buy U.S.100 million at the rate of Ps.8.95 per dollar in the case the exchange rate goes under this rate; on the other hand, Comerica must sell a similar amount at the rate of Ps.9.84 per dollar in the case that the exchange rate is higher of such rate. In accordance with the agreement, if the exchange rate on the expiration date is within the agreed range, no action needs to be taken by any of the two parts.

At December 31, 2001 and at the date of issuance of the these financial statements there was not need to exercise the agreement option by any of both parts since exchange rate was within the agreed range, and Arca did not recognize any income or expense derived from the option (see Note 3.n.).

The carrying amounts of cash and cash equivalents, current receivables, accounts payable, due from and to related companies and accrued expenses and other payables approximate fair value, due to the short term maturity of these instruments.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

a. Argos' tax consolidation regime

As mentioned in Note 10, Argos computes its income tax and asset tax on a consolidated basis. Beginning 1999, Mexican Controlling Companies are allowed to consolidate, for income tax purposes, income or loss of its Mexican subsidiaries up to 60% of their share ownership in said subsidiary. As mentioned in Note 2, through the acquisition of Argos shares from Inmex and the exchange offer that took place on December 13, 2001, Argos became Arca's subsidiaries and it might lose its status of controlling company as defined under Mexican Tax Law.

Although Management has requested an approval from the Ministry of Finance (MF) to maintain Argos current status and to transfer the tax effects to Arca, this request is still pending of approval. Management can give no assurance that the MF will give a positive answer to its request.

If Argos listing is cancelled and the above referenced request is denied, Argos will not be able to compute taxes on a consolidated basis in the future and will be liable for taxes on dividends distributed by the consolidated subsidiaries, which had been considered non taxable income under the consolidated regime.

Management estimates that the amount of past tax benefits to be paid to the tax authorities is approximately Ps.209,700 plus Ps.40,700 of penalties and surcharges.

b. Bottling Agreements

As of December 31, 2001, approximately 85% of Arca's combined net sales consisted of products sold under The Coca-Cola Company's trademarks. Arca manufactures and sells these products pursuant to bottling agreements with TCCC. These bottling agreements cover all of the territories where Arca currently operates.

Each bottling agreement provides for a date of expiration. All of Arca's bottling agreements covering territories formerly operated by Argos will expire in 2008 (although they provide for an additional 10 year extention), and all of Arca's bottling agreements covering all other territories in which it operates will expire at the end of 2012. During its 75-year business relationship, TCCC has not failed to renew bottling agreements for any of its territories. Although Management believes that TCCC will continue to renew the bottling agreements upon their respective expirations, it can give no assurance that all of Arca's bottling agreements will be renewed in the future.

Under the bottling agreements, Arca is required to purchase from a subsidiary of TCCC or one of its authorized suppliers, all the concentrates used in the production of TCCC's products, at prices and subject to other terms and conditions determined unilaterally by TCCC. TCCC, in its sole discretion, may at any time change the formula of any of its products, subject to certain limitations and so long as the change does not halt the production of all TCCC products.

The bottling agreements provide that, unless expressly authorized by TCCC, Arca may not bottle any products other than TCCC products. More specifically, the bottling agreements applicable to its western division (except for subsidiaries BCS and Pacífico) do not expressly authorize Arca to produce or distribute the products it currently produces and sells in its western division under the trademarks "Squirt", "Club Soda", "Topo Chico", "Agua Pura Sol", "Elite" and "Barq's". In addition, the bottling agreements applicable to some territories in the eastern division do not expressly authorize Arca to produce and distribute some (or in some cases, all) of all of

Embotelladoras Arca, s. a. de c. v., and subsidiaries (continue)

its products it currently produces and sells under the "Topo Chico" trademark. 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 Commision (The Commision), accusing the Mexican bottlers of TCCC's products (including some of the Arca's subsidiaries) of engaging in relative monopolistic practices.

On february 28, 2002 the Commission resolved that:

- The companies of the so called "Coca-Cola system" are responsible for incurring in certain monopolistic practices.
- 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.

The resolution is not yet in effect, until matter is decided on appeal. The appeal will be presented to the Commission.

The resolution does not impose fines on the companies.

Two of the Arca companies (Mexicali and Obregón) are excluded from the resolution. Several others (all of those that were part of Arma) may be excluded also if they prevail in amparo proceedings.

If the Company is prevented from entering into exclusivity contracts, there would not be a material adverse effect on the results.

Miguel Antonio Fernández Iturriza
Chief Executive Officer

Adrián Wong Boren
Chief Financial Officer

Glossary

GLOSSARY

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

Argos:
Embotelladoras Argos, S.A.

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

Unit Case:
Production unit equivalent to 24 eight-ounces bottles.

Hand Held:
Electronic device used by sales force members to take orders.

IPADE:
Instituto Panamericano de Alta Dirección de Empresas.

ITAM:
Instituto Tecnológico Autónomo de México.

ITESM:
Instituto Tecnológico y de Estudios Superiores de Monterrey.

MUC:
Million unit cases.

Post Mix:
Soft drink dispenser that mixes carbonated water with concentrated syrup. Primarily located in fast food restaurants, cafeterias and schools.

Premarsa:
Promotora Empresarial Arma, S. A. de C. V.

Procor:
Proyección Corporativa, S. A. de C. V.

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

Design and production: milenio3.com.mx / Cover: Arca

Information

INFORMATION TO SHAREHOLDER AND THE MEDIA

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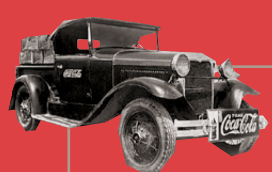

The incorporation of Arca has demonstrated that the union and coexistence of various personal and family interests is feasible when it is oriented towards increasing results, to reach higher goals that would otherwise be difficult to achieve.