EMBOTELLADORAS ARCA

Earnings Release

COTIZA EN BOLSA MEXICANA DE VALORES

ARCA

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FIRST QUARTER 2005 RESULTS

- **Total sales volume grew 0.9% in 1Q05**
- **Net income increased by 21% to Ps. 327 million**
- **Selling and administrative expenses decreased by 11%**

First Quarter 2005 (1Q05) Highlights:

- In 1Q05, total sales volume* increased 0.9% to 88.1 million unit cases ("MUC"), compared to 87.4 MUC in 1Q04.
- Net sales were Ps. 2,897 million in 1Q05, a decrease of 4.5% compared to 1Q04.
- Selling and administrative expenses were reduced by 11% to Ps. 933.9 million
- EBITDA** (excluding non-recurring expenses) reached Ps. 597 million, 10.6% lower than in 1Q04, representing an EBITDA margin of 20.6%.
- Net income increased 21% when compared to 1Q04, to Ps. 327 million, or Ps. 0.41 per share.

***Total sales volume includes soft drinks and single serve water. It does not include jug water.**

**Operating Profit + Depreciation + Goodwill Amortization

Monterrey, Mexico, April 28, 2005 – Embotelladoras Arca, S.A. de C.V. ("Arca" or "the Company") (BMV: ARCA), the second-largest *Coca-Cola* bottler in Mexico and Latin America, announced today its unaudited results for the first quarter ended March 31, 2005. All figures are expressed in thousands of constant Mexican pesos as of March 31, 2005.

Comments from the Chief Executive Officer

Mr. Francisco Garza Egloff, Arca's Chief Executive Officer, stated, "As we look at Arca today, we see that the initiatives implemented over the past years have produced tangible results. We are a more dynamic and flexible organization, continuously adapting to market needs and successfully operating in a highly competitive environment.

Our strategy of differentiation of products, packaging and prices, better segmented execution and a broader and closer relationship with our clients and consumers has brought positive results. At the same time, our discipline in costs and expenses combined with a better competitive environment has allowed us to mitigate the contraction in margins that the Mexican soft drink industry has experienced in the last several months. Thus, we have raised prices of certain presentations during the first quarter of 2005. Going forward, we will continue adjusting price points in selected segments.

With regard to the cost environment, the price of sugar has remained stable during the first months of the year. On the other hand, PET resin costs have continued to increase, but due to our mix of returnable packages, we have been able to offset this impact.

We have come a long way, nevertheless we will continue working towards becoming a better company, by staying close to our consumers and offering world-class service. We will seek to always operate with financial flexibility to remain in a position to capitalize on value generating projects and opportunities that may arise in the future."

OPERATING RESULTS

Sales volume in 1Q05 grew 0.9% compared to 1Q04, despite the decline in sales during Holy Week, which took place in March of this year (vs. April in 2004), one less day in the quarter (2004 was a leap year) and above-average rainfall during February and the first half of March.

Notably, the reduction in prices in real terms that we experienced during 2004 was reversed in 1Q05. This resulted from increasing the prices of certain presentations in the majority of our territories. In real terms, the average price per unit case was Ps. 32.9 in 1Q05, representing a decline of 4.9%, compared to Ps. 34.6 in 1Q04, but above the average for 4Q04.

Table 1. SALES SUMMARY (in '000 unit cases)

	Quarter		
	1Q05	1Q04	Var. %
Total Soft Drinks *	**88,148**	**87,366**	**0.9%**

* Includes single serve water, exports and sales to third parties.

During 1Q05, the diet and flavors segments performed well, with increases of 5.3% and 4.6%, respectively. This has been the result of a broader variety of flavors and packaging, the expansion of Joya products to other territories (Coahuila and Chihuahua), and the complementing of regional brands with other national brands, such as Manzana Lift and Fresca. Additionally, Topo Chico Mineral Water kept growing due to its well-known brand quality and more marketing and extensive coverage, together with an 11% increase in exports.

The launching of Topo Chico Grapefruit, with a new formula in 600 ml and 1.5 liter NR presentations, was a success, posting an increase of 160% in 1Q05 vs. 1Q04. On top of this, Topo Chico Sangria Light continues growing significantly due to its introduction in the border cities of Tamaulipas. In addition, as a result of new marketing strategies, the new categories have grown 14.4% during the quarter, particularly Powerade and Nestea.

Single serve purified water posted a 23.1% increase due to new ways of exhibiting the product at the point of sale, mainly in the Monterrey and Fronteras areas.

Table 2. SALES BY SEGMENT (in '000 unit cases)

	Quarter		
	1Q05	**1Q04**	**Var. %**
Colas	58,697	59,604	-1.5%
Diet Soft Drinks	5,876	5,582	5.3%
Flavors*	20,869	19,948	4.6%
Purified Water**	2,183	1,774	23.1%
Other***	523	457	14.4%
TOTAL	**88,148**	**87,366**	**0.9%**

* Includes mineral water, third party sales and exports of Topo Chico products.

** Does not include 19-liter jug water presentations.

*** Includes sports drinks, juices, milks and teas.

In the Colas segment, we continue our strategy of increasing the variety of options in packaging and prices, always seeking to satisfy the different needs of our consumers at competitive prices. One example is the extended coverage of the 435 ml Coca-Cola presentation in returnable glass with the plastic cap. This innovative package offers greater quantity at a competitive price, triggering the single serve returnable packages.

In addition, we introduced Coca-Cola Citra, both regular and diet, in 600 ml NR, 355 ml cans and 8 oz. mini cans, with solid results.

During 1Q05, we initiated a promotion called "KBzones Coca-Cola" to promote the sales of single-serve colas among younger consumers. The participating products included: Coca-Cola in 600 ml NR, 355 ml RET and 500 ml NR. This promotion, which ended on April 15, 2005, gave away miniature figurines of 12 members of the Mexican national soccer team and 12 international players, having wide acceptance among consumers as 100% of the giveaways were distributed.

On another front, and in seeking to expand the range of products in order to satisfy the market's demands and needs, the Company continued its strategy of launching new products and line extensions of its brands, including:

- Topo Chico Grapefruit in 600 ml NR and 1.5 liter NR with a new formula in Monterrey, Reynosa, Matamoros and Nuevo Laredo
- Joya Punch and Pineapple in 12 oz glass in Piedras Negras
- Topo Chico Sangria Light in 600-ml NR in Monterrey, Reynosa, Matamoros and Nuevo Laredo
- Joya flavors in 250 ml PET in Reynosa, Matamoros and Nuevo Laredo
- Manzana Lift Golden in Reynosa, Matamoros and Nuevo Laredo in 600 ml NR, 355 ml cans and 2.5 liter NR formats
- Fanta Splash (new bottle design) in 600 ml NR and 500 ml presentations in several territories
- Fanta and Sprite in 1 liter NR in Nuevo Laredo
- Joya, in the entire state of Coahuila, in 12 oz, 600 ml and 2.5 liter NR formats
- Joya, in the state of Chihuahua, in 500 ml NR and soon in 2-liter NR

Table 3. SALES BY FORMAT AND SIZE (in '000 unit cases)				
	Quarter			
	1Q05	% of total	1Q04	% of total
Returnable (R)	38,605	43.8%	42,898	49.1%
Non returnable (NR)	49,543	56.2%	44,467	50.9%
Single serve	46,567	52.8%	49,294	56.4%
Multiple serve	41,581	47.2%	38,071	43.6%

NR products represented 56.2% of the total product mix in 1Q05 compared to 50.9% in 1Q04. This mix of returnable packages has allowed us to, on the one hand, mitigate cost increases in PET bottles, and on the other hand, offer an accessible product to the more price-sensitive consumers. Multiple-serve packages increased from 43.6% in 1Q04 to 47.2% in 1Q05.

The segmented execution program continues according to plan. It will be launched initially in Monterrey, where various steps have already been implemented, including the “manual” segmentation (December 2004), regular performance evaluation by the auditors (Jan-Feb 2005), a new variable compensation structure based on execution performance and sales targets (Feb 05). Currently, we are introducing new handheld equipment and automated execution in the Monterrey area which should be completed in June 2005. Subsequently, the program will be implemented in the rest of Arca’s territories.

With regard to our supply chain optimization program, “Project Evolution”, there was a significant improvement in the quality and product availability indices, even with a greater variety of presentations. This project will enable us to integrate and harmonize all the supply, production and distribution processes with existing demand levels, thereby guaranteeing a high level of service and product availability at an optimum cost.

Cost and expense reduction program

According to our cost reduction plan and productivity improvements, during the first quarter, four additional distribution centers ceased operations in Monterrey, Mexicali and two in the Fronteras area.

With regard to the outsourcing projects, Arca has selected a transportation service company for the Western region, while negotiations continue with potential vendors in the Eastern region.

Arca also advanced according to plan in the selection of a company to provide basic maintenance and support for its information technology (IT outsourcing), which is expected to be completed by mid-year.

In order to mitigate the increases in PET resin prices, Arca has installed REF-PET bottle recycling centers in Culiacan and Cuidad Juarez, and soon will follow in Hermosillo and Monterrey.

To secure the supply of NR products for the next few years, Arca completed the installation of three new NR bottling lines in Piedras Negras, Matamoros and Monterrey, with a minimal investment.

FINANCIAL ANALYSIS

INCOME STATEMENT

Net sales for 1Q05 reached Ps. 2,897.1 million, a decrease of 4.5% when compared to Ps. 3,032.8 million in 1Q04. This was mainly due to a reduction in the average price per unit case, which went from Ps. 34.6 in 1Q04 to Ps. 32.9 in 1Q05, a decline of 4.9%.

During 1Q05, the cost of goods sold per unit case remained practically unchanged from Ps. 17.2 to Ps. 17.3, despite the increases in the cost of PET resin and carbonic gas, the change in the mix towards NR packages and the payment of additional royalties for the Joya brand which became a Coca-Cola owned brand starting in 4Q04. Due to the above, the cost of goods sold increased by 1.4% to Ps. 1,527.4. The gross margin in 1Q05 declined 3.1 percentage points to 47.3% compared to 50.4% in 1Q04 mainly due to the aforementioned reduction in prices.

In continuing with its initiatives to control expenses, during 1Q05, Arca's selling expenses decreased 5.5% to Ps. 735.1 million, due to lower salaries and wages, discipline in marketing expenses, reduction of freight costs and waste of returnable bottles. Administrative expenses dropped 27.4% to Ps. 198.8 million as a result of a reduction of salaries and wages, building maintenance, travel expenses and the adoption of Bulletin B-7 of the Generally Accepted Accounting Principles, which allows companies to cease amortizing goodwill and subject themselves to asset impairment tests.

As a result of the above, operating income (excluding non-recurring expenses) for 1Q05 reached Ps. 435.8 million, down 8.4% when compared to 1Q04. Operating margin went from 15.7% in 1Q04 to 15.0% in 1Q05.

EBITDA (excluding non-recurring expenses) decreased 10.6%, from Ps. 668.2 million in 1Q04 to Ps. 597.5 million in 1Q05. During 1Q05, the EBITDA margin was 20.6% compared to 22.0% in 1Q04.

During 1Q05, non-recurring expenses reached Ps. 9.5 million, which were mainly allocated towards personnel severance payments from the closing of distribution centers, which were not provisioned in the 2005 cost and expense reduction plan.

The integral cost of financing in 1Q05 was Ps. 4.3 million, compared to Ps. 7.0 million in 1Q04, as a consequence of a reduction in monetary position from lower inflation as well as a higher cash balance than 2004.

During 1Q05, other income of Ps. 36.6 million was reported, which compares favorably to Ps. 2.8 million reported during 1Q04. 1Q05 results include other income derived from a favorable difference in the calculation of annual declaration of taxes for 2004 with respect to the provision estimated in the financial statements for that year.

Provisions for income tax and employee profit sharing reached Ps. 131.3 million in 1Q05 compared to Ps. 195.7 million reported in 1Q04. The effective tax rate was 28.6% in 1Q05 compared to 41.9% in 1Q04, reflecting the reduction in the tax rate from 33% in 2004 to 30% in 2005.

Net income for 1Q05 increased 20.8% to Ps. 327.3 million, or Ps. 0.41 per share, compared to Ps. 271.0 million, or Ps. 0.34 per share, in 1Q04.

BALANCE SHEET AND CASH FLOW STATEMENT

At March 31, 2005, Arca's cash balance was Ps. 2,127.4 million, while its net cash position was Ps. 571.2 million.

Net operating cash flow decreased by 13.6% in 1Q05, primarily due to an increase in working capital compared to a significant decline in 1Q04.

The net investment in fixed assets reached Ps. 150 million, mainly allocated towards the regular replacement of transportation equipment, machinery and equipment, coolers and vending machines, investments in NR production lines in Piedras Negras, Matamoros and Guadalupe.

RECENT EVENTS

Arca held its Annual Shareholders' Meeting on April 26, 2005 in Ciudad Juarez, Chihuahua.

Among the various issues addressed, the following resolutions were approved:

1. The naming of Manuel L. Barragán Morales as the new Chairman of the Board of Directors of Arca. This position was held by Miguel A. Fernández Iturriza since 2001, the year in which the merger of the three companies that formed Arca took place.

2. The following new Board Members were elected:

   -Carlos Arizpe Jiménez
   -Tomás Fernández García
   -Enrique García Gamboa
   -Manuel Rivero Santos

3. A dividend of Ps. 0.80 per share was declared and will be paid starting May 12, 2005

4. The maximum amount of resources that can be allocated towards the purchase of Arca's own shares is Ps. 400 million.

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About Arca

Embotelladoras Arca, S.A. de C.V. produces and sells soft drinks under *The Coca-Cola Company* brand, proprietary brands and third-party brands. Arca was formed in 2002 through the merger of three of the oldest bottlers in Mexico and is now the second-largest bottler in Mexico and Latin America. The Company distributes its products in the northern region of Mexico mainly in the states of Tamaulipas, Nuevo Leon, Coahuila, Chihuahua, Sonora, Sinaloa, Baja California and Baja California Sur.

Disclaimer

This material may contain forward-looking statements regarding Arca and its subsidiaries based on management's expectations. This information as well as statements regarding future events and expectations is subject to risks and uncertainties, as well as factors that could cause the results, performance and achievements of the Company to differ at any time. Such factors include changes in the general economic, political, governmental and commercial conditions both domestically and globally, as well as variations in interest rates, inflation rates, exchange rate volatility, tax rates, the demand for and the price of carbonated beverages, water and ice, taxes on and the price of sugar, the prices of raw materials used in the production of soft drinks, weather conditions and various others. As a result of these risks and factors, actual results could be materially differ from the estimates provided, therefore, Arca does not accept responsibility for any variations or for the information provided by official sources.

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

CONSOLIDATED INCOME STATEMENT

(in thousands of constant Mexican pesos as of March 31, 2005)

	1st. Quarter 2005	2004
NET SALES	2,897,078	3,032,775
COST OF SALES	(1,527,377)	(1,505,687)
GROSS PROFIT	1,369,701	1,527,088
	47.3%	50.4%
SELLING EXPENSES	(735,064)	(777,508)
ADMINISTRATIVE EXPENSES	(198,787)	(273,648)
OPERATING INCOME (excludes non-recurring expenses)	435,850	475,932
	15.0%	15.7%
NON-RECURRING EXPENSES	(9,549)	(5,028)
COMPREHENSIVE FINANCIAL RESULT:		
INTEREST EXPENSE, NET	(5,164)	(11,317)
EXCHANGE GAIN (LOSS)	589	(1,403)
MONETARY POSITION GAIN (LOSS)	321	5,729
	(4,254)	(6,991)
	422,047	463,913
OTHER INCOME (EXPENSE), NET	35,995	1,597
INCOME BEFORE THE FOLLOWING PROVISIONS:	458,042	465,510
	15.8%	15.3%
PROVISIONS FOR:		
INCOME ASSET TAX	(101,210)	(139,586)
EMPLOYEES' PROFIT SHARING	(30,118)	(56,121)
TOTAL PROVISIONS	(131,328)	(195,707)
EQUITY IN EARNINGS OF AFFILIATES AND MINORITY INTEREST	636	1,210
CONSOLIDATED NET INCOME	**327,350**	**271,013**
DEPRECIATION AND AMORTIZATION OF GOODWILL	161,602	192,288
EBITDA (excludes non-recurring expenses)	**597,452**	**668,220**
EBITDA MARGIN	**20.6%**	**22.0%**
Per Share Data:		
Net Income	0.41	0.34
Total number of shares outstanding ('000)	806,020	806,020

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

CONSOLIDATED BALANCE SHEET

(in thousands of constant Mexican pesos as of March 31, 2005)

	as of March 31,	
	2005	**2004**
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	2,127,353	1,599,298
Accounts receivable, net	413,244	373,842
Other accounts receivable	207,125	360,236
Inventories	851,436	980,837
Prepayments	77,997	61,376
Total Current Assets	**3,677,155**	**3,375,589**
ACCOUNTS RECEIVABLE - LONG TERM	285,336	364,475
INVESTMENT IN SHARES	103,569	100,387
PROPERTY, PLANT AND EQUIPMENT	7,556,016	7,557,448
GOODWILL, NET	2,033,206	2,139,640
OTHER ASSETS	149,414	117,495
TOTAL ASSETS	**13,804,696**	**13,655,034**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank loans	11,678	12,170
Suppliers	536,556	403,082
Other accounts payable and expenses	603,065	681,432
Total Current Liabilities	**1,151,299**	**1,096,684**
LONG TERM BANK LOANS	1,544,433	1,623,437
PENSION PLANS AND SENIORITY PREMIUMS	153,334	156,155
DEFERRED INCOME TAX	1,081,139	1,323,567
TOTAL LIABILITIES	**3,930,205**	**4,199,843**
SHAREHOLDERS' EQUITY		
Capital Stock	4,836,164	4,866,506
Retained Earnings	4,710,978	4,317,671
Net Profit (Loss)	327,349	271,014
TOTAL SHAREHOLDERS' EQUITY	**9,874,491**	**9,455,191**
TOTAL LIABILITIES AND SHAREHODLERS' EQUITY	**13,804,696**	**13,655,034**

EMBOTELLADORAS ARCA, S. A. DE C. V. AND SUBSIDIARIES
CASH FLOW STATEMENT
As of March 31, 2005

(in thousands of constant Mexican pesos as of March 31, 2005)

	2005	2004
NET INCOME	**327,349**	**271,014**
+ DEPRECIATION	161,511	191,930
+ OTHER AMORTIZATIONS	5,674	5,158
+ OTHER	(6,485)	(28,872)
+ PENSION PLANS AND SENIORITY PREMIU	13,755	(1,008)
= OPERATING CASH FLOW	**501,804**	**438,222**
- WORKING CAPITAL	**7,473**	**(134,159)**
= OPERATING CASH FLOW AFTER WORKING CAPITAL NEEDS	**494,331**	**572,381**
- DEBT AMORTIZATION	11,430	(41,171)
- CAPITAL EXPENDITURES (NET)	149,886	171,633
- SHARE REPURCHASE PROGRAM	3,077	4,927
= OPERATING CASH FLOW AFTER FIN. AND INVESTING NEEDS	**329,938**	**436,992**
CASH BALANCE AT THE BEGINNING OF PERIOD	**1,797,416**	**1,162,306**
= CASH BALANCE AT THE END OF PERIOD	**2,127,354**	**1,599,298**