



Earnings Release



ARCA

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THIRD QUARTER 2006 RESULTS

- Net sales increased 5.7% in 3Q06
- Operating cash flow rose 29%
- Board of Directors calls Shareholders' Meeting to propose cash dividend of Ps. 1.10 per share

Third Quarter 2006 (3Q06) Highlights:

- In 3Q06, total sales volume* increased 5% to 130.9 million unit cases ("MUC").
- Net sales were Ps. 4,544.7 million in 3Q06, an increase of 5.7% when compared to 3Q05.
- Operating income rose 1.8% to Ps. 990.0 million.
- EBITDA** reached Ps. 1,161.8 million, 1.6% higher than in 3Q05, representing an EBITDA margin of 25.6%.
- Net income reached Ps. 623.5 million, or Ps. 0.77 per share.

First Nine Months 2006 (9M06) Highlights:

- Total sales volume* increased 8.3% in 9M06 vs. 9M05 to 356.4 MUC.
- Net sales rose 9.7% to Ps. 12,470.9 million in 9M06 vs. 9M05.
- Operating income (excluding non-recurring expenses) in 9M06 increased by 17.3% when compared to 9M05, to Ps. 2,726.0 million. Operating margin was 21.9% in 9M06 compared to 20.4% in 9M05.
- EBITDA** (excluding non-recurring expenses) increased 14.5% from Ps. 2,840.3 million in 9M05 to Ps. 3,252.3 million in 9M06, representing an EBITDA margin of 26.1%.
- Net income for 9M06 increased by 19.0% to Ps. 1,763.4 million, or Ps. 2.19 per share, when compared to Ps. 1,481.3 million reported for 9M05.

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

**Operating Profit + Depreciation + Goodwill Amortization



Monterrey, Mexico, October 26, 2006 – 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 third quarter ended September 30, 2006. All figures are expressed in thousands of constant Mexican pesos as of September 30, 2006.

Comments from the Chief Executive Officer

Mr. Francisco Garza Egloff, Arca’s Chief Executive Officer, stated, “we maintained solid growth thanks to the leadership of our products and the enthusiasm and efforts of our people to better serve our clients and consumers every day. The temporary impact from the increase in raw material prices motivates us to continue improving our efficiency in order to maintain profitability levels. We are constantly innovating the ways in which we offer and promote our products, as well as including new packaging and flavors at adequate prices for each occasion and location. At the same time, with our capacity levels, systems and technological support, we are making significant advances in productivity and efficiency levels.”

He added, “We have raised our growth estimate for 2006 from 5% to 7%. As a result of the solidness of our business, the Board of Directors has called a Shareholders’ Meeting to approve a cash dividend of Ps. 1.10 per share.”

OPERATING RESULTS

Sales volume in 3Q06 increased 4.8% when compared to 3Q05 to 130.9 MUC. This growth was reflected in all our segments and territories, as a result of the strategies aimed at satisfying the needs of a wide range of consumption patterns and better coordination throughout the value chain. This enabled us to capitalize on the opportunities created by a better economic environment in the regions in which we operate.

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

| | Quarter | | | Nine Months | | |
|-----------------------|----------------|----------------|-------------|----------------|----------------|-------------|
| | 3Q06 | 3Q05 | Var. % | 2006 | 2005 | Var. % |
| Total Volume * | 130,936 | 124,916 | 4.8% | 356,373 | 329,159 | 8.3% |

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

In real terms, the average price per unit case increased 0.8% to Ps. 34.7 during 3Q06 when compared to 3Q05, as a result of accumulated inflation greater than the figure reported for the first two quarters of the year.

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

| | Quarter | | | Nine Months | | |
|-------------------------|----------------|----------------|-------------|----------------|----------------|-------------|
| | 3Q06 | 3Q05 | Var. % | 2006 | 2005 | Var. % |
| Colas | 84,031 | 80,617 | 4.2% | 230,167 | 214,562 | 7.3% |
| Diet Soft Drinks | 8,368 | 7,665 | 9.2% | 23,158 | 20,970 | 10.4% |
| Flavors* | 31,947 | 30,914 | 3.3% | 86,771 | 80,306 | 8.0% |
| Purified Water** | 4,890 | 4,600 | 6.3% | 12,509 | 10,870 | 15.1% |
| Other*** | 1,701 | 1,120 | 51.8% | 3,768 | 2,450 | 53.8% |
| TOTAL | 130,936 | 124,916 | 4.8% | 356,373 | 329,159 | 8.3% |

* 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.

The cola segment grew 4.2% in 3Q06 to 84.0 MUC. This growth was due mainly to the availability of a wide range of products at different price points, new launches and packaging, which enabled us to meet the specific needs of the various consumer groups.

Similarly, the diet segment increased 9.2% during 3Q06 as a result of the strong performance of *Coca-Cola Light*, the recent introduction of the caffeine-free version, and the growth of *Topo Chico Sangria Light* and the various flavors of the "Spacio Leve" (Light Space) category.

The flavors segment increased by 3.3% in 3Q06 due to the strong performances of *Fanta* and *Sprite*, as well as the recent promotions aimed at the younger population.

Topo Chico brand mineral water continued its growth trend with a 9% rise in 3Q06 thanks to its recognized quality and prestige, greater coverage and improved positioning with young consumers. In addition, exports to the U.S. grew 26% year-over-year, thanks to wider regional coverage and service as well as more presentation options.

Single serve purified water registered an increase of 6.3% in 3Q06 due to, among other efforts, new marketing strategies at the point of sale, incentives to our clients and the recent re-branding of *Ciel*. On the other hand, the hurricanes experienced in the Pacific region and the record high rainfall in Chihuahua, were among the factors that affected this growth.

During 3Q06, sales volume of new categories increased by 47.7% thanks to the strong acceptance of *Ciel Aquarius* and *Ciel Naturae* (lightly carbonated) flavored water, as well as Minute Maid juices in various presentations.

Jug water sales volume increased by 7.0% in 3Q06 vs. 3Q05 with significant improvement in profitability levels due to measures that expanded coverage, improved service and increased productivity per route. In order to continue growing this business, during September 2006, Arca acquired a jug water company in Chihuahua to take advantage of markets with high growth potential.

During 3Q06, Arca launched the following products:

- Extensions of *Minute Maid* juices and nectars in all the zones and channels. We introduced new packages such as 250 ml. NR bottles, 340 ml. cans and 200 ml. Tetrapack.
- *Powerade* in 1-liter PET NR sport cap and 400 ml. PET NR wide mouth.
- *Ciel Naturae* in 500 ml. and 1-liter PET NR in jamaica, lemon and peach flavors in some channels.
- *Fanta Surfer* in 500 and 600 ml. PET NR in various zones of our territory.



- Coca-Cola in “80-year Anniversary” commemorative can and 16 oz. “Monster Can” which promote local soccer teams.

During 3Q06, Arca initiated the following promotions:

- **“Today is the day to have leftovers...” – Tupperware giveaway:** One Tupperware set in exchange for crown caps and twist tops plus Ps. 20 on certain presentations of *Coca-Cola* and *Coca-Cola Light*.

Table 3. SALES BY FORMAT AND SIZE (in '000 unit cases)

| | Quarter | | | | Nine Months | | | |
|----------------------------|---------|------------|--------|------------|-------------|------------|---------|------------|
| | 3Q06 | % of total | 3Q05 | % of total | 2006 | % of total | 2005 | % of total |
| Returnable (R) | 47,009 | 36% | 49,832 | 40% | 128,585 | 36% | 136,245 | 41% |
| Non returnable (NR) | 83,927 | 64% | 75,084 | 60% | 227,788 | 64% | 192,914 | 59% |
| Single serve | 67,265 | 51% | 65,566 | 52% | 185,038 | 52% | 173,497 | 53% |
| Multiple serve | 63,671 | 49% | 59,349 | 48% | 171,335 | 48% | 155,662 | 47% |

In Arca’s information technology area, we completed the implementation of our new Commercial System in the North Pacific zone, which included more modern software technology and handhelds for the market. We initiated the final phase of this implementation in the South Pacific zone and expect its completion in December of this year. This new technology will give us yet another competitive advantage through better execution at the point of sale.

We installed the new infrastructure for a call center to improve our telephone sales and customer service in the Monterrey zone. In addition, we continued updating the infrastructure for our information technology area and launched the new hardware platform for SAP R/3. This platform includes state-of-the-art technology to have significantly better response times and processing of vital transactions.

Lastly, we completed the project of modernizing and optimizing our local data and telecommunications networks in various cities in our territory.

FINANCIAL ANALYSIS

INCOME STATEMENT

Net sales for 3Q06 reached Ps. 4,544.7 million, an increase of 5.7% with respect to the Ps. 4,299.1 million recorded in 3Q05. The average price per unit case in 3Q06 was Ps. 34.7, practically unchanged from the average price in 3Q05.

Cost of goods sold (COGS) increased by 8.5% to Ps. 2,351.6 million. This translated into a 3.5% increase in COGS per unit case, mainly due to the significant increases in the prices of sugar and PET. Thus, the gross margin in 3Q06 was 48.3% compared to 49.6% in 3Q05.

In 3Q06 selling and administrative expenses, as a percentage of sales, declined from 27.0% to 26.5% year-over-year. Specifically, during 3Q06, selling expenses increased 5.2% to Ps. 964.8 million due to higher sales volume, expenses for the launching of new products and new promotions and publicity. Administrative expenses decreased 1.8% to Ps. 238.3 million.



As a result of the above, operating income for 3Q06 reached Ps. 990.0 million, an increase of 1.8% with respect to 3Q05. Operating margin was 21.8% in 3Q06.

EBITDA (excluding non-recurring expenses) increased 1.6%, from Ps. 1,143.1 million in 3Q05 to Ps. 1,161.8 million in 3Q06, representing a margin of 25.6%.

The integral cost of financing in 3Q06 was Ps. 24.8 million, compared to an integral financing result of Ps. 6.7 million in 3Q05. This was mainly due to the monetary losses generated by higher inflation as well as exchange rate losses from the appreciation of the peso versus the dollar.

During 3Q06, other income of Ps. 8.6 million was reported compared to the Ps. 6.6 million registered during the same period of 2005.

Provisions for income tax and employee profit sharing reached Ps. 348.0 million in 3Q06, for an effective tax rate of 35.7%, compared to Ps. 348.3 million or 36.1% in 3Q05.

Net income for 3Q06 was Ps. 623.5 million or Ps. 0.77 per share, which was 0.4% higher than in 3Q05.

BALANCE SHEET AND CASH FLOW STATEMENT

At September 30, 2006, Arca's cash balance was Ps. 3,312.1 million, with financial debt of Ps. 1,538.0 million, leaving a net cash balance of Ps. 1,774.1 million.

Net operating cash flow increased 29.2% in 9M06 to Ps. 2,694.3 million due to improved operating results and stricter use of working capital.

Investment in fixed assets reached Ps. 750.0 million during 9M06, allocated mainly towards increasing capacity of NR production lines, distribution centers, construction of facilities for bottle injection and blowing, regular maintenance and replacement of plant and equipment, and the installation of additional coolers and vending machines.

RECENT EVENTS

The Board of Directors called an Ordinary Shareholders' Meeting to, among other things, propose a cash dividend of Ps. 1.10 per share. They also called an Extraordinary Shareholders' Meeting to approve changes to the Company's corporate charter that will adequate it to the new Securities Market Law. Both Meetings will take place on November 16, 2006 in Ciudad Juarez, Chihuahua.

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 2001 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 September 30, 2006)

| | 3rd. Quarter | | January-September | |
|--|---------------------|--------------------|--------------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 |
| NET SALES | 4,544,689 | 4,299,130 | 12,470,921 | 11,370,849 |
| COST OF SALES | <u>(2,351,585)</u> | <u>(2,167,239)</u> | <u>(6,372,460)</u> | <u>(5,800,130)</u> |
| GROSS PROFIT | 2,193,104 48.3% | 2,131,891 49.6% | 6,098,461 48.9% | 5,570,719 49.0% |
| SELLING EXPENSES | (964,757) | (916,945) | (2,671,758) | (2,556,201) |
| ADMINISTRATIVE EXPENSES | <u>(238,314)</u> | <u>(242,677)</u> | <u>(700,679)</u> | <u>(689,665)</u> |
| OPERATING INCOME (excludes non-recurring expenses) | 990,033 21.8% | 972,269 22.6% | 2,726,024 21.9% | 2,324,853 20.4% |
| NON-RECURRING EXPENSES | <u>-</u> | <u>(21,571)</u> | <u>(19,365)</u> | <u>(41,644)</u> |
| COMPREHENSIVE FINANCIAL RESULT: | | | | |
| INTEREST EXPENSE, NET | 13,672 | 8,142 | 24,447 | (439) |
| EXCHANGE GAIN (LOSS) | (24,536) | 1,919 | 5,262 | (29,277) |
| MONETARY POSITION GAIN (LOSS) | <u>(13,919)</u> | <u>(3,392)</u> | <u>(17,625)</u> | <u>(6,300)</u> |
| | <u>(24,783)</u> | <u>6,669</u> | <u>12,084</u> | <u>(36,016)</u> |
| | 965,250 | 957,367 | 2,718,743 | 2,247,193 |
| OTHER INCOME (EXPENSE), NET | 8,637 | 6,636 | 4,954 | 47,618 |
| INCOME BEFORE THE FOLLOWING PROVISIONS: | 973,887 21.4% | 964,003 22.4% | 2,723,697 21.8% | 2,294,811 20.2% |
| PROVISIONS FOR: | | | | |
| INCOME ASSET TAX | (272,095) | (266,474) | (754,761) | (626,364) |
| EMPLOYEES' PROFIT SHARING | <u>(75,863)</u> | <u>(81,811)</u> | <u>(202,732)</u> | <u>(193,490)</u> |
| TOTAL PROVISIONS | <u>(347,958)</u> | <u>(348,285)</u> | <u>(957,493)</u> | <u>(819,854)</u> |
| EQUITY IN EARNINGS OF AFFILIATES AND MINORITY INTEREST | (2,471) | 5,059 | (2,849) | 6,372 |
| CONSOLIDATED NET INCOME | 623,458 | 620,777 | 1,763,355 | 1,481,329 |
| DEPRECIATION AND AMORTIZATION | 171,727 | 170,873 | 526,228 | 515,406 |
| EBITDA (excludes non-recurring expenses) | 1,161,760 | 1,143,142 | 3,252,252 | 2,840,259 |
| EBITDA MARGIN | 25.6% | 26.6% | 26.1% | 25.0% |
| Per Share Data: | | | | |
| Net Income | 0.77 | 0.77 | 2.19 | 1.84 |
| Total number of shares outstanding ('000) | 806,020 | 806,020 | 806,020 | 806,020 |



EMBOTELLADORAS ARCA, S. A. DE C. V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in thousands of constant Mexican pesos as of September 30, 2006)

| | as of September 30, | |
|---|---------------------|-------------------|
| | <u>2006</u> | <u>2005</u> |
| ASSETS | | |
| <hr/> | | |
| CURRENT ASSETS | | |
| Cash & Cash Equivalents | 3,312,114 | 2,678,247 |
| Accounts receivable, net | 670,855 | 572,859 |
| Other accounts receivable | 205,199 | 270,018 |
| Inventories | 1,102,552 | 862,762 |
| Prepayments | 76,169 | 65,545 |
| Total Current Assets | 5,366,889 | 4,449,431 |
| | | |
| ACCOUNTS RECEIVABLE - LONG TERM | 228,560 | 291,992 |
| | | |
| INVESTMENT IN SHARES | 126,935 | 134,643 |
| | | |
| PROPERTY, PLANT AND EQUIPMENT | 8,232,555 | 7,981,145 |
| | | |
| GOODWILL, NET | 2,149,447 | 2,125,834 |
| | | |
| OTHER ASSETS | 317,106 | 157,954 |
| | | |
| TOTAL ASSETS | 16,421,492 | 15,140,999 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| <hr/> | | |
| CURRENT LIABILITIES | | |
| Bank loans | 11,492 | 11,682 |
| Suppliers | 827,993 | 744,867 |
| Other accounts payable and expenses | 973,227 | 694,575 |
| Total Current Liabilities | 1,812,712 | 1,451,124 |
| | | |
| LONG TERM BANK LOANS | 1,526,486 | 1,596,762 |
| | | |
| PENSION PLANS AND SENIORITY PREMIUMS | 333,436 | 156,945 |
| | | |
| DEFERRED INCOME TAX AND OTHERS | 1,049,552 | 1,153,834 |
| | | |
| TOTAL LIABILITIES | 4,722,186 | 4,358,665 |
| | | |
| SHAREHOLDERS' EQUITY | | |
| Capital Stock | 5,118,926 | 5,094,906 |
| Retained Earnings | 4,817,025 | 4,206,100 |
| Net Profit (Loss) | 1,763,355 | 1,481,328 |
| TOTAL SHAREHOLDERS' EQUITY | 11,699,306 | 10,782,334 |
| | | |
| TOTAL LIABILITIES AND SHAREHODLERS' EQUITY | 16,421,492 | 15,140,999 |



EMBOTELLADORAS ARCA, S. A. DE C. V. AND SUBSIDIARIES
CASH FLOW STATEMENT
As of September 30, 2006

(in thousands of constant Mexican pesos as of September 30, 2006)

| | <u>2006</u> | <u>2005</u> |
|---|------------------|------------------|
| NET INCOME | 1,763,355 | 1,481,329 |
| + DEPRECIATION AND AMORT. | 526,239 | 515,405 |
| + OTHER | 31,798 | 30,744 |
| + PENSION PLANS AND SENIORITY PREMIU | 38,336 | 10,471 |
| = OPERATING CASH FLOW | 2,359,728 | 2,037,949 |
| - WORKING CAPITAL | (334,526) | (48,115) |
| = OPERATING CASH FLOW AFTER WORKING CAPITAL NEEDS | 2,694,254 | 2,086,064 |
| - DEBT AMORTIZATION | 38,215 | 36,525 |
| - CAPITAL EXPENDITURES (NET) | 750,071 | 600,390 |
| - DIVIDENDS PAID | 693,475 | 673,902 |
| - SHARE REPURCHASE PROGRAM | (105,795) | (16,801) |
| = OPERATING CASH FLOW AFTER FIN. AND INVESTING NEEDS | 1,318,288 | 792,048 |
| CASH BALANCE AT THE BEGINNING OF PERIOD | 1,993,825 | 1,886,198 |
| = CASH BALANCE AT THE END OF PERIOD | 3,312,113 | 2,678,246 |
