



Earnings Release



ARCA

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FIRST QUARTER 2007 RESULTS

- Total sales grew 8.3% in 1Q07 vs. 1Q06
- CSD's volume was up 2% and jug water 8.8%.
- Earnings per share increased 4.6% during 1Q07.

First Quarter 2007 (1Q07) Highlights:

- In 1Q07, total sales volume* increased 2.0% to 99.9 million unit cases ("MUC"), compared to 97.9 MUC in 1Q06.
- Net sales were Ps. 3,795 million in 1Q07, an increase of 8.3% when compared to 1Q06.
- EBITDA** reached Ps. 831 million, 1% lower than in 1Q06, representing an EBITDA margin of 21.9%.
- Net income up 5% to Ps. 443 million.

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

** Operating Profit + Depreciation + Amortization



Monterrey, Mexico, April 26, 2007 – Embotelladoras Arca, S.A.B. 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, 2007. All figures are expressed in thousands of constant Mexican pesos as of March 31, 2007.

Comments from the Chief Executive Officer:

Mr. Francisco Garza Egloff, Arca’s Chief Executive Officer, stated, “Thanks to the solid efforts of our employees and the successful launching of Coke Zero, we achieved a favorable performance during this quarter which was characterized by difficult comparables in both volumes and costs, by growing 8.3% in revenues, 2% in CSD and purified water sales volume and 4.6% in net income.”

He added, “We seek to continue improving our level of service by expanding segmentation to include the modern channel and restaurants, while implementing new performance indicators. We are also fostering the growth of our adjacent businesses such as vending, jug water, exports, and especially our recently-acquired snack business, Bokados, which to date has yielded results above our expectations.”

OPERATING RESULTS

Table 1. SALES SUMMARY (in '000 unit cases)			
	Quarter		
	1Q07	1Q06	Var. %
Total Volume *	99,913	97,913	2.0%

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

1Q07 sales volume increased 2.0% when compared to 1Q06, reaching a total of 99.9 MUC. It is important to mention that during 1Q06 there was an 11% increase in volume, which makes the comparison base more challenging.

Table 2. SALES BY SEGMENT (in '000 unit cases)			
	Quarter		
	1Q07	1Q06	Var. %
Colas	63,940	64,444	-0.8%
Diet Soft Drinks	9,141	6,680	36.9%
Flavors*	22,436	23,337	-3.9%
Purified Water**	3,115	2,680	16.2%
Other***	1,282	772	66.0%
TOTAL	99,913	97,913	2.0%

* 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.

During 1Q07, the **colas** segment declined 0.8% to 63.9 MUC, while the **flavors** segment declined 3.9%. The determining factor for this contraction in volumes was the unfavorable climate in most of our territories, primarily during the month of January.



The **diet** category, however, grew 36.9% during 1Q07, resulting from the successful launch of Coca-Cola Zero in various presentations, and to a lesser extent, the excellent performance of Topo Chico Sangría Light.

Exports of **Topo Chico** mineral water to the U.S. increased 13% during 1Q07, while single-serve **purified water** grew 16.2%.

During 1Q07, the volume for **new categories** experienced a strong growth of 66.0%, as a result of the recent launches of various presentations of Minute Maid juices (Forte, Revita and Nutri+) as well as the successful performance of Nestea.

We continue driving the **purified jug water segment**, focusing on regions with attractive profitability as well as seeking new alternatives on home routes that may represent growth potential. As a result of these efforts, during 1Q07 volumes increased 8.8% year over year.

During 1Q07 we launched the following products:

- Coca-Cola Zero in 600 ml NR, 2-liter NR, 12 oz. can, 12 oz. returnable glass and 8 oz. mini-can
- Sprite Retro
- Burn and Tab Energy, energy drinks in a 310 ml can
- Powerade kiwi flavor in 400 ml PET NR bottle

The following promotions aimed to housewives were introduced:

- **“A Familiar Taste”** - Through the exchange of crown caps or twist caps plus an additional 15 pesos, consumers receive a plate and cup combo as well as beach getaways, bonuses to win a home, and instant beverage giveaways.
- **“Refresh and Enjoy a Ritz”** – Cross promotion with Kraft. With the purchase of certain flavors and products, consumers will receive a free package of Ritz Sandwich crackers.

We continue driving sales growth of single-serve formats through a specific strategy of segmentation, combined with offering clients the value-added benefit of our wide network of coolers and vending machines. During 1Q07, 51% of sales were of single-serve products, a level which we have been able to maintain for the past two quarters.

Furthermore, we have allocated additional resources towards the installation of vending equipment and more recently, towards dual machines that give consumers the option to purchase both, beverages and snacks. This strategy allows us to take advantage of the synergies derived from our recent acquisition of the Bokados snack business.

Table 3. SALES BY FORMAT AND SIZE (in '000 unit cases)				
	Quarter			
	1Q07	% of total	1Q06	% of total
Returnable (R)	32,788	32.8%	36,317	37.1%
Non returnable (NR)	67,125	67.2%	61,596	62.9%
Single serve	50,984	51.0%	51,848	53.0%
Multiple serve	48,929	49.0%	46,065	47.0%



In the information systems area, the Company completed the implementation of the Commercial System in our purified jug water plants, thereby enabling us to standardize and reinforce commercial business practices in all of the jug water business operations.

The Company also concluded phase 1 of the implementation of the new “Compass” system which is aimed to improve market intelligence capabilities and reinforce commercial strategies within the modern channel.

We also continued developing the vending businesses, focusing on increasing profitability per machine via new marketing and analysis information tools. At the same time, we are standardizing the use of hand-held machines in order to accelerate liquidation times and standardize operating practices as well as performance indicators.

As part of our strategy of constant improvement and the evolution of our execution capabilities, we have implemented a new tool called “Arca Execution Index”, where we consolidate all of the performance indicators that are obtained by the “Picture of Success” auditors.

Additionally, we initiated the process to finalize synergies with Bokados in the areas of information technology, telecommunications and supply of some raw materials. We have also expanded the coverage of the Bokados products via snack vending machines as well as the addition of new clients and exports.

FINANCIAL ANALYSIS

INCOME STATEMENT

Net sales in 1Q07 reached Ps. 3,795.5 million, which represents an increase of 8.3% when compared to Ps. 3,503.8 million in 1Q06, Bokados representing approximately half of this growth. CSD's and single serve purified water sales volumes increased 2% while the average price per unit case increased 2.1% YOY.

Cost of goods sold in 1Q07 increased by 9.6% when compared to 1Q06, (5.8% excluding Bokados) with a gross margin of 48.1% compared to 48.7% in 1Q06. The cost per unit case increased 3.6% from Ps. 18.4 to Ps. 19.0 in 1Q07, mainly as a result of the significant increases in sugar prices, the rise in concentrate costs and, to a lesser degree, higher packaging costs.

Selling and administrative expenses increased 14.1% (8.5% excluding Bokados). Specifically, during 1Q07, selling expenses increased 16.4% (9.9% excluding Bokados) due to an increase in sales personnel, both in distribution and vending, costs associated with the launching of Coca-Cola Zero, as well as an increase in maintenance and depreciation of delivery equipment. Administrative expenses rose 5.7% (3.4% excluding the impact of Bokados), primarily due to higher severance payments, pensions and retirement costs and long-term compensation.

As a result of the above, operating income decreased 4.4% in 1Q07 (7.2% excluding Bokados) compared to 1Q06. The operating margin reached 16.6%. EBITDA decreased 1.2% (4.0% excluding Bokados) representing a 21.9% margin (22.1% excluding Bokados).



The integral financing income in 1Q07 was Ps. 4.1 million, a decrease compared to the Ps. 16.4 million reported in 1Q06. This was mainly due to lower interest revenue derived from a lower average cash balance.

During 1Q07 Arca registered other income of Ps. 39.2 million mainly due to tax incentives, a tax return from the deduction of the Employee Profit Sharing Plan amount of past years and the proceeds from the sale of non-strategic assets, among others.

Provisions for Income Tax and Employee Profit Sharing were Ps. 219.1 million in 1Q07, representing an effective rate of 32.5%, versus Ps. 243.3 million or 36.5% in 1Q06.

Arca's net income for 1Q07 reached Ps. 442.8 million, or Ps. 0.55 per share.

BALANCE SHEET AND STATEMENT OF CHANGES IN FINANCIAL POSITION

As of March 31, 2007, Arca had Ps. 2,682.2 million in cash and Ps. 1,532.2 million in debt, resulting in a net cash position of Ps. 1,150.0 million.

The cash balance increased by Ps. 187.2 million from December 2006 to March 2007. Notably, there was an 9% increase in operating cash flow before working capital. During the first quarter of 2007, several non-strategic assets were monetized for approximately Ps. 200 million. Furthermore, advanced purchases of sugar were made to secure the supply for future production. It is worth noting that on March 27, 2007, a dividend of Ps. 0.90 per share was declared, which was paid on April 19, 2007.

Investment in fixed assets during 1Q07 was Ps. 535 million, allocated mainly towards increasing plant capacity for NR products in the Eastern zone, the construction of bottle injection and blowing facilities, the installation of additional coolers and vending machines as well as the acquisition of the majority stake of Bokados.

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. Arca is now the second-largest Coca-Cola 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.

For more information, visit ARCA's website at www.e-arca.com.mx.

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. B. DE C. V. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

(in thousands of constant Mexican pesos as of March 31, 2007)

	1st. Quarter		Variation
	2007	2006	%
NET SALES	3,795,461	3,503,821	8.3%
COST OF SALES	(1,969,925)	(1,797,035)	9.6%
GROSS PROFIT	1,825,536	1,706,786	7.0%
	48.1%	48.7%	
SELLING EXPENSES	(955,858)	(821,129)	16.4%
ADMINISTRATIVE EXPENSES	(238,445)	(225,585)	5.7%
OPERATING INCOME (excludes non-recurring expenses)	631,233	660,072	-4.4%
	16.6%	18.8%	
NON-RECURRING EXPENSES	-	(12,580)	-100.0%
COMPREHENSIVE FINANCIAL RESULT:			
INTEREST EXPENSE, NET	(349)	8,479	-104.1%
EXCHANGE GAIN	9,759	10,924	-10.7%
MONETARY POSITION LOSS	(5,310)	(2,986)	77.8%
	4,100	16,417	-75.0%
	635,333	663,909	-4.3%
OTHER INCOME (EXPENSE), NET	39,205	3,155	1142.6%
INCOME BEFORE THE FOLLOWING PROVISIONS:	674,538	667,064	1.1%
	17.8%	19.0%	
PROVISIONS FOR:			
INCOME TAX	(161,494)	(194,407)	-16.9%
EMPLOYEES' PROFIT SHARING	(57,603)	(48,890)	17.8%
TOTAL PROVISIONS	(219,097)	(243,297)	-9.9%
EQUITY IN EARNINGS OF AFFILIATES AND MINORITY INTEREST	(12,626)	(231)	5365.8%
CONSOLIDATED NET INCOME	442,815	423,536	4.6%
DEPRECIATION AND AMORTIZATION	199,873	181,260	10.3%
EBITDA (excludes non-recurring expenses)	831,106	841,332	-1.2%
EBITDA MARGIN	21.9%	24.0%	
Per Share Data:			
Net Income	0.55	0.53	4.6%
Total number of shares outstanding ('000)	806,020	806,020	



EMBOTELLADORAS ARCA, S. A. B. DE C. V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(in thousands of constant Mexican pesos as of March 31, 2007)

	as of March 31,	
	<u>2007</u>	<u>2006</u>
ASSETS		
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CURRENT ASSETS		
Cash & Cash Equivalents	2,682,231	2,687,951
Accounts receivable, net	721,730	529,603
Other accounts receivable	189,838	236,217
Inventories	1,079,944	854,475
Prepayments	87,324	75,838
Total Current Assets	4,761,067	4,384,084
ACCOUNTS RECEIVABLE - LONG TERM	0	235,588
INVESTMENT IN SHARES	82,972	128,593
PROPERTY, PLANT AND EQUIPMENT	8,799,526	8,286,926
GOODWILL, NET	2,652,722	2,210,399
OTHER ASSETS	421,027	329,146
TOTAL ASSETS	16,717,314	15,574,736
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LIABILITIES AND SHAREHOLDERS' EQUITY		
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CURRENT LIABILITIES		
Bank loans	11,493	11,842
Suppliers	849,441	664,193
Other accounts payable and expenses	1,361,501	643,166
Total Current Liabilities	2,222,435	1,319,201
LONG TERM BANK LOANS	1,520,740	1,596,811
PENSION PLANS AND SENIORITY PREMIUMS	282,265	309,667
DEFERRED INCOME TAX AND OTHERS	1,248,164	1,082,918
TOTAL LIABILITIES	5,273,604	4,308,597
SHAREHOLDERS' EQUITY		
Capital Stock	5,277,484	5,237,784
Retained Earnings	5,723,410	5,604,821
Net Profit (Loss)	442,816	423,534
TOTAL SHAREHOLDERS' EQUITY	11,443,710	11,266,139
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	16,717,314	15,574,736



EMBOTELLADORAS ARCA, S. A. B. DE C. V. AND SUBSIDIARIES
CASH FLOW STATEMENT

As of March 31, 2007

(in thousands of constant Mexican pesos as of March 31, 2007)

	<u>2007</u>	<u>2006</u>
NET INCOME	442,815	423,534
+ DEPRECIATION AND AMORT.	214,221	181,593
+ OTHER	(9,374)	(9,508)
= OPERATING CASH FLOW	647,662	595,619
- WORKING CAPITAL	(146,031)	(253,179)
= OPERATING CASH FLOW AFTER WORKING CAPITAL NEEDS	793,693	848,798
- DEBT AMORTIZATION	15,434	12,298
- CAPITAL EXPENDITURES (NET)	535,071	179,417
- SHARE REPURCHASE PROGRAM	56,033	19,792
= OPERATING CASH FLOW AFTER FIN. AND INVESTING NEEDS	187,155	637,291
CASH BALANCE AT THE BEGINNING OF PERIOD	2,495,076	2,050,662
= CASH BALANCE AT THE END OF PERIOD	2,682,231	2,687,953
