



Earnings Release



ARCA

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THIRD QUARTER 2007 RESULTS

- Net sales increased 8% while EBITDA rose 11% in 3Q07 vs. 3Q06.
- Net income increased 12% in 3Q07.
- Arca will pay a dividend of Ps. 1.10 per share on November 21, 2007.

Third Quarter 2007 (3Q07) Highlights:

- In 3Q07, total sales volume* increased 2.0% to 133.6 million unit cases ("MUC"), compared to 130.9 MUC in 3Q06.
- Net sales were Ps. 5,106.0 million in 3Q07, an increase of 8.0% when compared to 3Q06.
- Operating income rose 11.0% to Ps. 1,143.4 million in 3Q07, representing an operating margin of 22.4%.
- EBITDA** reached Ps. 1,341.0 million, 11.0% higher than in 3Q06, representing an EBITDA margin of 26.3%, an expansion of 70 bps YOY.
- Net income rose 12.3% to Ps. 728.5 million.

First Nine Months 2007 (9M07) Highlights:

- Total sales volume* increased 1.7% in 9M07 vs. 9M06 to 362.4 MUC.
- Net sales rose 6.9% to Ps. 13,865.2 million in 9M07 vs. 9M06.
- Operating income in 9M07 increased by 1.0% when compared to 9M06, to Ps. 2,864.5 million. The operating margin was 20.7% in 9M07 compared to 21.9% in 9M06.
- EBITDA** increased 2.3% from Ps. 3,383.0 million in 9M06 to Ps. 3,459.8 million in 9M07, representing an EBITDA margin of 25.0%.
- Net income for 9M07 increased 6.9% to Ps. 1,960.7 million, or Ps. 2.43 per share, when compared to Ps. 1,834.2 million reported for 9M06.

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

**Operating Profit + Depreciation + Amortization



Monterrey, Mexico, October 25, 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 third quarter ended September 30, 2007. All figures are expressed in thousands of constant Mexican pesos as of September 30, 2007.

Comments from the Chief Executive Officer

Mr. Francisco Garza Egloff, Arca’s Chief Executive Officer, stated, “The continuous perfection of our market execution, combined with a better portfolio and pricing architecture management, yielded a satisfactory financial performance during the third quarter. Our investments in innovation, information systems, and the development of our personnel, continued yielding positive results with productivity per employee improving 5.4% during 3Q07, and productivity per route rising 3.1%.”

He added, “I am pleased to report that thanks to our solid performance and financial strength, we will pay a second dividend this year of Ps. 1.10 per share, which, combined with the Ps. 0.90 per share paid in April, brings our annual disbursement to more than Ps. 1,600 million.”

OPERATING RESULTS

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

	Quarter			Nine Months		
	3Q07	3Q06	Var. %	2007	2006	Var. %
Total Volume *	133,587	130,936	2.0%	362,372	356,373	1.7%

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

Sales volume in 3Q07 increased 2.0% when compared to 3Q06 to 133.6 MUC.

In 3Q07, price adjustments were made in the Northeastern region of the country, mainly in multi-serve formats, which resulted in a 2.8% price increase year on year.

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

	Quarter			Nine Months		
	3Q07	3Q06	Var. %	2007	2006	Var. %
Colas	85,199	84,031	1.4%	230,336	230,167	0.1%
Diet Soft Drinks	9,769	8,368	16.7%	29,292	23,158	26.5%
Flavors*	31,076	31,947	-2.7%	83,833	86,771	-3.4%
Purified Water**	5,702	4,890	16.6%	13,994	12,509	11.9%
Other***	1,840	1,701	8.2%	4,916	3,768	30.5%
TOTAL	133,587	130,936	2.0%	362,372	356,373	1.7%

* 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 1.4% in 3Q07 to 85.2 MUC. This growth was due to the continuous launching of products and promotions aimed at triggering consumption, combined with an improved execution at the point of sale.



The successful launch of Coca-Cola Zero continues to drive the growth of the diet segment with a 16.7% increase during 3Q07.

Single serve purified water registered an increase of 16.6% in 3Q07, while jug water sales volume increased by 9.1%.

In 3Q07, sales volume of new categories grew 8.2% thanks to the recent launches of Minute Maid juices in various presentations (Forte, Revita and Nutri+), as well as the solid performance of Nestea.

During 3Q07, Arca launched the following products:

- *Manzana Lift, Fanta and Fresca Zero* 600 ml. in PET NR in the majority of our territory.
- *Fresca* in 3-liter NR in various cities in the Northwest.
- *Caffeine Free Coca-Cola Light* in 12-ounce cans in Monterrey.
- *Fanta Orange, Grape and Grapefruit Joya* in 250 ml. PET NR.
- *Fanta Orange* in 1-liter PET NR in Chihuahua.
- *Fresca* in 2-liter RET in Culiacan.
- *Fresca Lado B* in 1-liter NR in certain territories in Chihuahua.
- *Strawberry Joya* in 500 ml. PET NR in Monterrey.
- *Apple and Punch Joya* in 1-liter RET in Coahuila.
- *Seagrams Agua Quina, Club Soda and Ginger Ale* in 12-ounce cans.

During 3Q07, Arca initiated the following promotions:

- **This summer, get refreshed with Ciel** – Prize stickers for free drinks and checks for up to Ps. 100,000.
- **Life at 2x1 (Coca-Cola and Domino’s Pizza)** – 2 for 1 pizzas with the presentation of 2 crown caps of Coca-Cola in 2 and 2.5-liter NR presentations.

	Quarter				Nine Months			
	3Q07	% of total	3Q06	% of total	2007	% of total	2006	% of total
Returnable (R)	41,925	31%	47,009	36%	115,941	32%	128,585	36%
Non returnable (NR)	91,662	69%	83,927	64%	246,432	68%	227,788	64%
Single serve	66,321	50%	67,265	51%	181,683	50%	185,038	52%
Multiple serve	67,266	50%	63,671	49%	180,689	50%	171,335	48%

In terms of information technology, we implemented a project to standardize and improve the platform that integrates our existing datawarehouse systems. This would enable us to increase our capabilities in analyzing the commercial area as well as our product, channel and client profitability. This new platform will support the standardization of reports and will enable the consolidation of information on the new businesses.

In addition, we rolled out our new electronic billing system. The first phase of this project will include all clients in the retail and supermarket chains, thereby enabling Arca to facilitate product delivering while increasing the efficiency of administrative processes.

We initiated the e-learning project which seeks to capitalize on the benefits of utilizing modern tools and software technologies, including the Internet, to complement current personnel training mechanisms.

FINANCIAL ANALYSIS

INCOME STATEMENT

Net sales for 3Q07 reached Ps. 5,106.0 million, an increase of 8.0% with respect to the Ps. 4,727.4 million recorded in 3Q06, with Bokados contributing 40% of the increase. Average price per unit case in 3Q07 increased 2.8%, from Ps. 36.1 in 3Q06 to Ps. 37.1 as a result of prices adjustments undertaken in the Northeastern region throughout the majority of multi-serve presentations.

Cost of goods sold increased 6.6% with respect to 3Q06, (3.7% excluding Bokados), which led to an increase in the gross margin to 48.9% for 3Q07, compared to 48.3% in 3Q06. Unitary costs increased 1.6%, primarily due to the increase in the price of concentrate. Sugar prices maintained their decline, while the cost of PET resin remained stable, year-over-year.

In 3Q07 selling and administrative expenses, increased 8.2% (3.7% excluding Bokados) but remained unchanged as a percentage of revenues at 26.5%. Specifically, during 3Q07, selling expenses increased 11.0% (5.8% excluding Bokados) due to an increase in the sales structure, costs associated with the deployment of vending machines, costs related to the launch of Coca-Cola Zero, as well as an increase in the maintenance and depreciation of distribution equipment. Administrative expenses decreased 3.4% to Ps. 239.5 million during 3Q07.

As a result of the above, operating income for 3Q07 increased of 11.0% with respect to 3Q06 with an operating margin of 22.4%. EBITDA increased 11.0%, generating a 70 bps expansion to 26.3% (26.5% excluding Bokados).

The integral cost of financing in 3Q07 was Ps. 0.3 million, compared to a cost of Ps. 25.8 million in 3Q06. This variation was mainly due to a decrease in exchange rate losses as a result of a reduction in the large dollar position previously held as well as a favorable variation in the exchange rate. In addition, interest income decreased in 3Q07 vs. 3Q06 due to a lower average cash balance.

During 3Q07, other income of Ps. 30.0 was registered mainly related to the sale of non-strategic assets.

Provisions for income tax and employee profit sharing reached Ps. 432.8 million in 3Q07, for an effective tax rate of 36.9%, compared to Ps. 361.9 million or 35.7% in 3Q06.

As a result of the above, net income for 3Q07 was Ps. 728.5 million or Ps. 0.90 per share. For the cumulative nine-month period, net income grew 6.9% reaching Ps. 1,960.7 million or Ps. 2.43 per share.

BALANCE SHEET AND CASH FLOW STATEMENT

At September 30, 2007, Arca's cash balance was Ps. 3,549.3 million, with financial debt of Ps. 1,526.5 million, leaving a net cash balance of Ps. 2,022.8 million.

Net operating cash flow increased 6.3% in 9M07 to Ps. 2,979.1 million due to improved operating results and the realization of current and long-term assets.



Investment in fixed assets reached Ps. 1,084.5 million during 9M07, mainly allocated towards increasing capacity of NR production lines in the Eastern Zone, 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, as well as the acquisition of the controlling shares of Bokados.

RECENT EVENTS

The Board of Directors approved, at their session on October 23, 2007, a cash dividend of Ps. 1.10 per share payable on November 21, 2007.

About Arca

Arca produces, distributes and sells beverages under The Coca-Cola Company brand and proprietary brands. Arca was formed in 2001 through the merger of three of the oldest bottlers in Mexico making it the second-largest bottler in Latin America. The Company, headquartered in Monterrey, serves the northern region of Mexico in the states of Tamaulipas, Nuevo Leon, Coahuila, Chihuahua, Sonora, Sinaloa, Baja California and Baja California Sur.

Arca also produces and distributes Bokados brand snack foods.

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 September 30, 2007)

	3rd. Quarter		Variation %	January-September		Variation %
	2007	2006		2007	2006	
NET SALES	5,106,006	4,727,385	8.0%	13,865,229	12,972,252	6.9%
COST OF SALES	(2,608,753)	(2,446,119)	6.6%	(7,112,100)	(6,628,633)	7.3%
GROSS PROFIT	2,497,253	2,281,266	9.5%	6,753,129	6,343,619	6.5%
	48.9%	48.3%		48.7%	48.9%	
SELLING EXPENSES	(1,114,367)	(1,003,540)	11.0%	(3,154,275)	(2,779,163)	13.5%
ADMINISTRATIVE EXPENSES	(239,458)	(247,897)	-3.4%	(734,310)	(728,847)	0.7%
OPERATING INCOME (excludes non-recurring expenses)	1,143,428	1,029,829	11.0%	2,864,544	2,835,609	1.0%
	22.4%	21.8%		20.7%	21.9%	
NON-RECURRING EXPENSES	-	-	NA	-	(20,144)	NA
COMPREHENSIVE FINANCIAL RESULT:						
INTEREST EXPENSE, NET	6,104	14,221	NA	(2,441)	25,430	NA
EXCHANGE GAIN (LOSS)	5,856	(25,521)	NA	2,258	5,474	NA
MONETARY POSITION GAIN (LOSS)	(11,700)	(14,479)	-19.2%	(18,230)	(18,334)	-0.6%
	260	(25,779)	NA	(18,413)	12,570	NA
	1,143,688	1,004,050	13.9%	2,846,131	2,828,035	0.6%
OTHER INCOME (EXPENSE), NET	29,967	8,985	NA	104,836	5,153	NA
INCOME BEFORE THE FOLLOWING PROVISIONS:	1,173,655	1,013,035	15.9%	2,950,967	2,833,188	4.2%
	23.0%	21.4%		21.3%	21.8%	
PROVISIONS FOR:						
INCOME TAX	(345,393)	(283,034)	22.0%	(782,821)	(785,102)	-0.3%
EMPLOYEES' PROFIT SHARING	(87,437)	(78,912)	10.8%	(177,390)	(210,882)	-15.9%
TOTAL PROVISIONS	(432,830)	(361,946)	19.6%	(960,211)	(995,984)	-3.6%
EQUITY IN EARNINGS OF AFFILIATES AND MINORITY INTEREST	(12,359)	(2,570)	NA	(30,037)	(2,964)	NA
CONSOLIDATED NET INCOME	728,466	648,519	12.3%	1,960,719	1,834,240	6.9%
DEPRECIATION AND AMORTIZATION	197,540	178,631	10.6%	595,263	547,382	8.7%
EBITDA (excludes non-recurring expenses)	1,340,968	1,208,460	11.0%	3,459,807	3,382,991	2.3%
EBITDA MARGIN	26.3%	25.6%		25.0%	26.1%	
Per Share Data:						
Net Income	0.90	0.80	12.3%	2.43	2.28	6.9%
Total number of shares outstanding ('000)	806,020	806,020		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 September 30, 2007)

	as of September 30,	
	<u>2007</u>	<u>2006</u>
ASSETS		
<hr/>		
CURRENT ASSETS		
Cash & Cash Equivalents	3,549,284	3,445,261
Accounts receivable, net	740,936	697,823
Other accounts receivable	288,645	213,448
Inventories	1,052,102	1,146,875
Prepayments	109,007	79,231
Total Current Assets	5,739,974	5,582,638
ACCOUNTS RECEIVABLE - LONG TERM	0	237,748
INVESTMENT IN SHARES	104,138	132,038
PROPERTY, PLANT AND EQUIPMENT	9,044,012	8,563,504
GOODWILL, NET	2,387,156	2,235,854
OTHER ASSETS	608,885	329,854
TOTAL ASSETS	17,884,165	17,081,636
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LIABILITIES AND SHAREHOLDERS' EQUITY		
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CURRENT LIABILITIES		
Bank loans	11,357	11,954
Suppliers	1,282,105	1,314,083
Other accounts payable and expenses	371,983	559,546
Total Current Liabilities	1,665,446	1,885,583
LONG TERM BANK LOANS	1,514,817	1,588,848
LABOR OBLIGATIONS	310,263	346,840
DEFERRED INCOME TAX AND OTHERS	1,322,871	1,090,746
TOTAL LIABILITIES	4,813,397	4,912,017
SHAREHOLDERS' EQUITY		
Minority interest	337,919	166
Capital Stock	4,638,217	4,638,217
Retained Earnings	6,133,910	5,696,994
Net Profit	1,960,721	1,834,241
TOTAL SHAREHOLDERS' EQUITY	13,070,768	12,169,618
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	17,884,165	17,081,636



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

As of September 30, 2007

(in thousands of constant Mexican pesos as of September 30, 2007)

	<u>2007</u>	<u>2006</u>
NET INCOME	1,960,721	1,834,241
+ DEPRECIATION AND AMORT.	675,902	601,313
+ OTHER	6,003	(20,842)
+ PENSION PLANS AND SENIORITY PREMIUMS	79,635	39,877
= OPERATING CASH FLOW	2,722,261	2,454,589
- WORKING CAPITAL	(256,873)	(347,974)
= OPERATING CASH FLOW AFTER WORKING CAPITAL NEEDS	2,979,134	2,802,563
- DEBT AMORTIZATION	42,791	39,751
- CAPITAL EXPENDITURES (NET)	1,084,530	780,223
- DIVIDENDS PAID	735,574	721,353
- SHARE REPURCHASE PROGRAM	96,368	(110,048)
= OPERATING CASH FLOW AFTER FIN. AND INVESTING NEEDS	1,019,871	1,371,284
CASH BALANCE AT THE BEGINNING OF PERIOD	2,529,411	2,073,977
= CASH BALANCE AT THE END OF PERIOD	3,549,282	3,445,261