

Monterrey

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## EARNINGS RELEASE

### FIRST QUARTER 2008 RESULTS

- **Net sales increased 7.4% while sales volume rose 5.0% in 1Q08.**
- **Operating income rose 14% in 1Q08.**
- **Net income increased 17% in 1Q08.**

#### First Quarter 2008 (1Q08) Highlights:

- Total sales volume\* increased 5% to 104.9 MUC.
- Net sales reached Ps. 4,187.2 million, up 7.4% when compared to 1Q07.
- Operating income rose 14.1% to Ps. 740.1 million.
- EBITDA\*\* reached Ps. 950.6 million, 11.3% higher than 1Q07.
- Net income rose 17.0% to Ps. 532.4 million, or Ps. 0.66 per share in 1Q08.

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

\*\*Operating Profit + Depreciation + Amortization

**Monterrey, Mexico, April 24, 2008** – 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, 2008. 2007 figures are expressed in millions of pesos as of December 31, 2007, while 2008 are in millions of nominal pesos.

### Comments from the Chief Executive Officer:

Mr. Francisco Garza Egloff, Arca’s Chief Executive Officer, stated, “In the first three months of this year we made significant progress of various fronts. For instance, sales volume grew 5% thanks to the efforts and dedication of all our personnel in providing the highest quality service and excellence to our clients and consumers. At the same time, we were able to improve our profitability indicators even in a challenging environment.”

He added, “This motivates us to continue exploring alternatives to achieve growth and make Arca a company increasingly competitive in all areas. We will continue driving growth in our core business of beverages. We will also focus particularly on jug water and Bokados, the latter by way of expanding production to the Western zone of our territory with a new production plant that will aim to serve more than 100 thousand potential points of sale”

## OPERATING RESULTS

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

	Quarter		
	1Q08	1Q07	Var. %
Total Volume*	104,927	99,913	5.0%

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

Beverage sales volume increased 5.0% in 1Q08 when compared to 1Q07, reaching a total of 104.9 MUC.

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

	Quarter		
	1Q08	1Q07	Var. %
Colas	69,427	63,940	8.6%
Diet Soft Drinks	7,671	9,141	-16.1%
Flavors*	22,444	22,436	0%
Purified Water**	3,414	3,115	9.6%
Other***	1,970	1,282	53.7%
<b>TOTAL</b>	<b>104,927</b>	<b>99,913</b>	<b>5.0%</b>

\* 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 1Q08 the **colas** segment grew 8.6%, reaching 69.4 MUC, while **diet soft drinks** decreased 16.1%. This decline is explained by the launch of *Coca-Cola Zero*, which took place in all of Arca’s territories during 1Q07. The **flavors** segment posted no variation from last year.

**Topo Chico** mineral water registered an 18% increase during 1Q08, while exports of this product to the U.S. rose 14%, due to the strategies aimed at positioning the Topo Chico brand as the favorite mineral water among Hispanic consumers.

**Purified water** in single serve formats increased 9.6% during 1Q08 as a result of strategies implemented at the point of sale to increase coverage, as well as the new image launch for the Ciel brand, including a new bottle design and label.

During 1Q08, volumes within the **new categories** segment posted growth of 53.7% as a result of recent trends towards these products as well as to various launches of Jugos del Valle products within our territories (On March 1<sup>st</sup> Arca started to distribute these products).

**Purified jug water** grew 8% in 1Q08 vs 1Q07, thanks to the launch of Ciel brand jug water in Saltillo, where Arca has made significant progress in residential distribution.

During 1Q08, Arca had several **new product launches**, including:

- Joya 500 ml. NR in various border cities, and 700 ml. glass RET in Reynosa.
- Fresca in 500 ml., 1 lt. NR and Sprite, Orange Fanta and Apple Lift in 500 ml. PET NR in various cities in the Western zone of our territory.
- Honeydew Fanta in 250 ml. PET NR, 500 ml. PET NR, 600 ml. PET NR and 12-ounce RET glass, supported by the promotion “Winning is Possible”.
- Topo Chico Sangria in 600 ml. PET NR and 2 lt. NR in certain cities in the Western zone.

During 1Q08 Arca initiated the following **promotions**:

- **Winning is Possible** – consisting of 6 plastic figurines called “Chinones”.
- **I must win the Coca-Cola Light apartment** – By registering Coca-Cola Light twist caps, obtain one electronic raffle ticket to win a furnished apartment in Mexico City.
- **Happy Caps** – Specially-marked caps offering discounts on beverages, pizzas and hamburgers at various establishments.

Table 3. SALES BY FORMAT AND SIZE (in '000 unit cases)				
	Quarter			
	1Q08	% of total	1Q07	% of total
Returnable (R)	31,724	30.2%	32,788	32.8%
Non returnable (NR)	73,202	69.8%	67,125	67.2%
Single serve	51,561	49.1%	50,984	51.0%
Multiple serve	53,365	50.9%	48,929	49.0%

In the information technology area, we completed the integration of the Jugos del Valle products into the Arca systems and commercial processes, using state of the art hand-held equipment.

The first phase of the on-line ordering project was completed and launched with 20 routes that supply the modern channel, achieving substantial improvements in productivity per route and in warehouse management.

We continue the pilot program for wirelessly interconnecting our snack vending machines in Nuevo Laredo. The tests were recently expanded to Monterrey, where a full route was completed. So far, this has yielded significant improvements in productivity per route and has helped to optimize control of inventory at our warehouses. Arca seeks to complete these tests in the second half of the year and continue its implementation throughout all territories.

Furthermore, Arca continues implementing steps to modernize, consolidate and increase the efficiency of all business processes. Firstly, we completed the implementation of the SAP ERP platform at Bokados to standardize the administrative processes, and secondly, we began modernizing our technological infrastructure with new hand-held equipment and integrated the outsourced services contracted from EDS.

Lastly, we launched the program to improve the management and tracking of purchase orders for products related to Project Nostalgia (the exporting of Mexican Coca-Cola to the U.S.) in conjunction with Coca-Cola North America via wireless communications and a direct interface with our IT systems.

## FINANCIAL ANALYSIS

### INCOME STATEMENT

Net sales for 1Q08 reached Ps. 4,187.2 million, an increase of 7.4% with respect to the Ps. 3,898.7 million recorded in 1Q07. The average price per unit case increased 1.9% to Ps. 38.2 in 1Q08 vs. 1Q07 as a result of selective price adjustments made at the beginning of 2008.

Cost of goods sold increased 6.5% with respect to 1Q07, derived mainly from an increase in concentrate and PET resin prices, partially offset by a drop in sweetener costs. The cost of goods sold per unit case rose 1.0% from Ps. 19.5 to Ps. 19.7. The gross margin was 48.5% in 1Q08, a 40-basis point expansion when compared to 48.1% in 1Q07.

Selling and administrative expenses increased 5.3% to Ps. 1,291.3 million in 1Q08, representing 30.8% as a percentage of sales, compared to 31.5% reported for 1Q07. Specifically, during 1Q08, selling expenses increased 6.8% while administrative expenses decreased 0.8% to Ps. 242.9 million.

Operating income for 1Q08 rose 14.1% with respect to 1Q07, reaching Ps. 740.1 million with an operating margin of 17.7%. EBITDA increased 11.3% to Ps. 950.6 million, generating a 80 bps expansion from 21.9% to 22.7%.

The integral financing result in 1Q08 was Ps. 18.4 million compared to Ps. 4.2 million in 1Q07. It is worth noting that due to the implementation of Mexican Financial Reporting Norms bulletin B10, "Effects of Inflation", as of 2008 Arca has ceased to account for the effects of inflation, which was registered within the Income (Loss) on Monetary Position line item.

During 1Q08, other income of Ps. 32.5 million was reported mainly related to the application of tax incentives and the sale of non-strategic assets.

Provisions for income tax and employee profit sharing reached Ps. 258.7 million in 1Q08, compared to Ps. 225.1 in 1Q07. The effective tax rate was 32.7% in 1Q08, compared to 32.5% in 1Q07.

As a result of the above, Arca's net income for 1Q08 increased 17.0%, reaching Ps. 532.4 million or Ps. 0.66 per share.

### BALANCE SHEET AND CASH FLOW STATEMENT

As of March 31, 2008, Arca's cash balance was Ps. 3,224.1 million, with financial debt of Ps. 1,520.1 million, leaving a net cash balance of Ps. 1,704.0 million.

Net operating cash flow increased 17.3% in 1Q08 to Ps. 780.5 million due to improved operating results.

Investment in fixed assets reached Ps. 220.7 million during 1Q08, mainly allocated towards the construction of facilities for bottle injection and blowing, regular maintenance and replacement of plant and equipment, and the installation of additional coolers and beverage as well as snack vending machines.

## RECENT EVENTS

Embotelladoras Arca recently signed a definitive agreement with Banregio by which created a strategic alliance to offer credit, services and training for micro-businesses through the microfinance institution Vivir, Soluciones Financieras.

### 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 Mexican pesos)

	1st. Quarter		Variation %
	2008	2007	
NET SALES	4,187,231	3,898,697	7.4%
COST OF SALES	(2,155,826)	(2,023,507)	6.5%
<b>GROSS PROFIT</b>	<b>2,031,405</b>	<b>1,875,190</b>	<b>8.3%</b>
	48.5%	48.1%	
SELLING EXPENSES	(1,048,429)	(981,858)	6.8%
ADMINISTRATIVE EXPENSES	(242,857)	(244,930)	-0.8%
	(1,291,286)	(1,226,788)	5.3%
<b>OPERATING INCOME</b>	<b>740,119</b>	<b>648,402</b>	<b>14.1%</b>
	17.7%	16.6%	
COMPREHENSIVE FINANCIAL RESULT:			
INTEREST EXPENSE, NET	13,819	(359)	NA
EXCHANGE GAIN (LOSS)	4,565	10,025	NA
MONETARY POSITION GAIN (LOSS)	-	(5,455)	NA
	18,384	4,211	NA
	758,503	652,613	16.2%
OTHER INCOME (EXPENSE), NET	32,460	40,272	NA
INCOME BEFORE THE FOLLOWING PROVISIONS:	790,963	692,885	14.2%
	18.9%	17.8%	
PROVISIONS FOR:			
INCOME TAX	(208,458)	(165,886)	25.7%
EMPLOYEES' PROFIT SHARING	(50,265)	(59,170)	-15.0%
TOTAL PROVISIONS	(258,723)	(225,056)	15.0%
EQUITY IN EARNINGS OF AFFILIATES AND MINORITY INTEREST	120	(12,969)	NA
<b>CONSOLIDATED NET INCOME</b>	<b>532,360</b>	<b>454,860</b>	<b>17.0%</b>
DEPRECIATION AND AMORTIZATION	210,485	205,309	2.5%
<b>EBITDA (excludes non-recurring expenses)</b>	<b>950,604</b>	<b>853,711</b>	<b>11.3%</b>
<b>EBITDA MARGIN</b>	<b>22.7%</b>	<b>21.9%</b>	
<b>Per Share Data:</b>			
Net Income	0.66	0.56	17.0%
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 Mexican pesos)

	<b>as of March 31,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>ASSETS</b>		
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<b>CURRENT ASSETS</b>		
Cash & Cash Equivalents	3,224,119	2,755,188
Accounts receivable, net	664,902	741,361
Other accounts receivable	317,089	195,001
Inventories	1,086,225	1,109,318
Prepayments	97,425	89,699
<b>Total Current Assets</b>	<b>5,389,761</b>	<b>4,890,567</b>
<b>INVESTMENT IN SHARES</b>	<b>121,201</b>	<b>85,229</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>9,201,092</b>	<b>9,038,873</b>
<b>GOODWILL, NET</b>	<b>2,534,253</b>	<b>2,724,876</b>
<b>OTHER ASSETS</b>	<b>590,129</b>	<b>432,479</b>
<b>TOTAL ASSETS</b>	<b>17,836,436</b>	<b>17,172,025</b>
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
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<b>CURRENT LIABILITIES</b>		
Bank loans	1,011,127	11,805
Suppliers & accounts payable	1,260,017	1,886,723
Other accounts payable and expenses	479,724	384,356
<b>Total Current Liabilities</b>	<b>2,750,868</b>	<b>2,282,884</b>
<b>LONG TERM BANK LOANS</b>	<b>508,953</b>	<b>1,562,105</b>
<b>LABOR OBLIGATIONS</b>	<b>123,681</b>	<b>289,942</b>
<b>DEFERRED INCOME TAX AND OTHERS</b>	<b>1,404,722</b>	<b>1,282,114</b>
<b>TOTAL LIABILITIES</b>	<b>4,788,223</b>	<b>5,417,045</b>
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<b>SHAREHOLDERS' EQUITY</b>		
Minority interest	152	325,917
Capital Stock	4,697,989	4,697,989
Retained Earnings	7,817,711	6,276,214
Net Profit	532,360	454,860
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>13,048,212</b>	<b>11,754,979</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>17,836,436</b>	<b>17,172,025</b>

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

**As of March 31, 2008**

(in thousands of Mexican pesos)

	<u>2008</u>	<u>2007</u>
<b>NET INCOME</b>	<b>532,360</b>	<b>454,860</b>
+ DEPRECIATION AND AMORT.	210,486	205,309
+ OTHER	452	(51,145)
+ PENSION PLANS AND SENIORITY PREMIUMS	37,165	56,256
<b>= OPERATING CASH FLOW</b>	<b>780,463</b>	<b>665,280</b>
<b>- WORKING CAPITAL</b>	<b>94,300</b>	<b>(150,002)</b>
<b>= OPERATING CASH FLOW AFTER WORKING CAPITAL NEEDS</b>	<b>686,163</b>	<b>815,282</b>
- DEBT AMORTIZATION	-	15,854
- CAPITAL EXPENDITURES (NET)	220,654	549,625
- SHARE REPURCHASE PROGRAM	(1,049)	57,557
<b>= OPERATING CASH FLOW AFTER FIN. AND INVESTING NEEDS</b>	<b>466,558</b>	<b>192,246</b>
<b>CASH BALANCE AT THE BEGINNING OF PERIOD</b>	<b>2,757,562</b>	<b>2,562,942</b>
<b>= CASH BALANCE AT THE END OF PERIOD</b>	<b>3,224,120</b>	<b>2,755,188</b>