

Monterrey

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EARNINGS RELEASE

SECOND QUARTER 2008 RESULTS

- **Net sales increased 9.6% while sales volume rose 7.5% in 2Q08.**
- **Operating income rose 8% in 2Q08.**
- **Jug water volume grew 17% in 2Q08.**

Second Quarter 2008 (2Q08) Highlights:

- Total sales volume* increased 7.5% to 138.6 MUC.
- Net sales reached Ps. 5,449.6 million, up 9.6% when compared to 2Q07.
- Operating income rose 8.0% to Ps. 1,182.4 million.
- EBITDA** reached Ps. 1,394.7 million, 8.0% higher than 2Q07.
- Net income rose 3.3% to Ps. 819.2 million, or Ps. 1.02 per share in 2Q08.

First Half 2008 (1H08) Highlights:

- Total sales volume* increased 6.4% to 243.5 MUC.
- Net sales reached Ps. 9,636.9 million, up 8.6% when compared to 1H07.
- Operating income rose 10.3% to Ps. 1,922.5 million.
- EBITDA** reached Ps. 2,345.3 million, 9.3% higher than in 1H07, reaching a margin of 24.3%.
- Earnings per share came in at Ps. 1.68 per share, up 8.3% when compared to 1H07.

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

**Operating Profit + Depreciation + Amortization

Monterrey, Mexico, July 18, 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 second quarter and first half periods ended June 30, 2008. All figures are expressed in thousands of constant Mexican pesos as of June 30, 2008. The following figures include the May and June 2008 results for the recently-acquired Coca-Cola franchise in Northeastern Argentina (“NEA”).

Comments from the Chief Executive Officer:

Mr. Francisco Garza Egloff, Arca’s Chief Executive Officer, stated, “During the second quarter, we posted favorable sales growth of 9.6%, thanks to the constant innovation of our product portfolio, with competitive packages, even greater efficiency in our execution, and more precise segmentation. These factors allowed us to make certain price adjustments.”

He added, “This quarter represented a major transition in Arca’s history as we completed the acquisition of a bottler in Argentina and began operating in the Northeastern region of the country. Furthermore, we consolidated our distribution of non carbonated beverages, mainly Jugos del Valle, in the traditional channel and made significant progress in our coverage and market share in a very short period of time. Lastly, we achieved highly favorable results from initiatives implemented in our purified water operation, for both the single serve and jug water segments, with significant growth in both categories”

OPERATING RESULTS

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

	Quarter			Six Months		
	2Q08	2Q07	Var. %	2008	2007	Var. %
Total Volume*	138,590	128,873	7.5%	243,517	228,786	6.4%

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

Beverage sales volume increased 7.5% in 2Q08 when compared to 2Q07, reaching a total of 138.6 MUC. The recently-acquired franchise in Northeastern Argentina represented 4.7 MUCs of this increase.

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

	Quarter			Six Months		
	2Q08	2Q07	Var. %	2008	2007	Var. %
Colas	87,407	81,197	7.6%	156,835	145,136	8.1%
Diet Soft Drinks	9,406	10,382	-9.4%	17,077	19,523	-12.5%
Flavors*	31,495	30,321	3.9%	53,938	52,757	2.2%
Purified Water**	6,709	5,177	29.6%	10,123	8,292	22.1%
Other***	3,574	1,795	99.1%	5,544	3,077	80.2%
TOTAL	138,590	128,873	7.5%	243,517	228,786	6.4%

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

** Does not include 20-liter jug water presentations.

During 2Q08 the **colas** segment grew 7.6% (Mexico 5.4%), reaching 87.4 MUC, while **diet soft drinks** decreased 9.4%. As discussed in the first quarter 2008 earnings release, this decline is explained by tough comps from the launch of Coca-Cola Zero during 1H07. The **flavors** segment grew 3.9% (Mexico - 4.9%) when compared to the same period in 2007.

Topo Chico mineral water registered a 20% increase during 2Q08, 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. Project Nostalgia (exporting of Mexican soft drinks to the U.S. through CCNA & CCE) continues growing at a rate of close to 70% during the first half of the year.

Purified water in single serve formats increased 29.6% during 2Q08 (Mexico 24.8%) 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 2Q08, volumes within the **new categories** segment posted growth of 99.1% as a result of the distribution ramp up of Jugos del Valle products beginning March 2008.

Purified jug water grew 17% in 2Q08 vs 2Q07, thanks to the launch of Ciel brand jug water in Saltillo and Monterrey. Notably, in May 2008, the new jug water plant in Monterrey initiated operations.

During 2Q08, Arca had several **new product launches**, including:

- Fanta, Manzana Lift and Sprite, all under the “Zero” category in 12-oz RET glass in Monterrey.
- Joya Lemonade in 250 and 500 ml. NR PET in Monterrey.
- Coca-Cola, Joya Punch, Fanta, Sprite, Coca-Cola Zero and Joya Apple in 400 ml. PET NR in the Coahuila zone.
- Topo Chico Sangria in 12-oz RET glass in Mexicali.

During 2Q08 Arca initiated the following **promotions**:

- **Everyone in the World to the Table** – consists of plastic glasses and plates with the purchase of specially marked Coca-Cola brand products.
- **Coca-Cola – Bokados (cross promotion)** – A gift of Bokados products with the purchase of certain returnable Coca-Cola products.
- **Tapipesos** – Twist caps for 2 and 2.5-liter returnable formats marked with Ps. 1 towards the purchase of Coca-Cola products.

	Quarter				Six Months			
	2Q08	% of total	2Q07	% of total	2008	% of total	2007	% of total
Returnable (R)	40,989	30%	41,228	32%	72,713	30%	74,016	32%
Non returnable (NR)	97,601	70%	87,645	68%	170,803	70%	154,770	68%
Single serve	67,261	49%	64,379	50%	118,822	49%	115,362	50%
Multiple serve	71,330	51%	64,494	50%	124,695	51%	113,423	50%

The mix of returnable packages declined to 30% due to the incorporation of Jugos del Valle’s product portfolio. Single serve packages in Mexico remain at 50% of the mix due to initiatives aimed at promoting this format.

At the close of the second quarter, Arca reached 21,000 installed vending machines, which includes beverage and snack machines, with an estimated 23,000 machines by year-end. In May 2008, Arca launched the Multimax vending machine operation outside of Arca’s territories, utilizing Bokados’ distribution centers. Coverage of snack vending machines was extended to Hermosillo and Chihuahua. Furthermore, tests were completed for linking machines to the Arca network using cellular technology, and expansion is planned for all of Arca’s machines.

In the information systems area, Arca initiated a project to strengthen and make more agile the storage operations for finished products throughout the Company’s territories. Using the latest technology, SAP Warehouse Management System, radiofrequency and data terminal equipment, aimed at improving inventory controls, product rotation and speeding up route service.

At the new Ciel jug water plant, the implementation of a new telecommunications platform and call center was completed in order to improve the automated order service. This new capability enables Arca to more efficiently manage the significant increase in volume, thereby improving customer service.

In addition, the integration of NEA to Arca's technology platform was initiated, including the connection of communication networks as well as the basic information systems such as SAP, Commercial Systems, Segmentation, Sales Force Automation and Market Audits capabilities.

FINANCIAL ANALYSIS

INCOME STATEMENT

The following figures include the May and June 2008 results for the recently-acquired Coca-Cola franchise in Northeastern Argentina ("NEA").

Net sales for 2Q08 reached Ps. 5,449.6 million, an increase of 9.6% (Mexico 7.5%) with respect to the Ps. 4,970.8 million recorded in 2Q07. For the soft drink business in Mexico, average price per unit case increased 2.3% to Ps. 38.6 in 2Q08 vs. 2Q07 as a result of selective price adjustments made on multi serve presentations.

Cost of goods sold increased 10.0% (Mexico 7.2%) with respect to 2Q07, 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 in Mexico rose 1.8% from Ps. 19.3 to Ps. 19.6. The gross margin was 48.8% (Mexico 49.1%) in 2Q08, compared to 49.0% in 2Q07.

Selling and administrative expenses increased 10.3% (Mexico 7.9%) from Ps. 1,339.8 million to Ps. 1,477.3 million during 2Q08. Specifically, during 2Q08, selling expenses increased 11.2% (Mexico 9.5%) while administrative expenses rose 6.4% (Mexico 1.0%). The rise in selling expenses in the Mexican operation was mainly related to the increased sales force related to pre-sale routes for new categories including Jugos del Valle, as well as higher expenses at Bokados for the activation of new points of sale as well as geographic expansion.

Operating income for 2Q08 rose 8.0% (Mexico 7.9%) with respect to 2Q07, reaching Ps. 1,182.4 million with an operating margin of 21.7%. EBITDA increased 8.0% (Mexico 7.7%) to Ps. 1,394.7 million, for a margin of 25.6% (Mexico 26.0%).

The integral financing cost in 2Q08 was Ps. 106.0 million compared to Ps. 23.1 million in 2Q07. In 2Q08, an exchange rate loss of Ps. 80.8 million was registered as a result of the appreciation of the peso versus the dollar and a long position in dollars (for the acquisition of the franchise in NEA), as well as the market value of exchange rate hedging instruments. 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 2Q08, other income of Ps. 38.2 million was reported mainly related to tax refunds from prior years.

Provisions for income tax and employee profit sharing reached Ps. 296.7 million (26.6% effective tax rate) in 2Q08, compared to Ps. 309.0 million (27.9% effective tax rate) in 2Q07.

As a result of the above, Arca's net income for 2Q08 increased 3.3%, reaching Ps. 819.2 million or Ps. 1.02 per share.

BALANCE SHEET AND CASH FLOW STATEMENT

As of June 30, 2008, Arca's cash balance was Ps. 1,376.8 million, with financial debt of Ps. 1,514.0 million, leaving a net cash balance of Ps. 137.2 million.

Operating cash flow before working capital increased 5.7% in 1H08 to Ps. 2,317.5 million due to improved operating results.

Investment in fixed assets reached Ps. 623 million during 1H08, 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.

Lastly, during 2Q08, Arca disbursed approximately Ps. 2.4 billion in cash, which included a dividend payment (Ps. 0.95 per share), the acquisition of a Coca-Cola franchise in NEA and a deposit to guarantee the participation of Arca in Jugos del Valle.

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. In 2008, Arca began operating in the Northeastern region of Argentina in the provinces of Chaco, Corrientes, Formosa, Misiones and the northern part of the Santa Fe province.

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)

	2nd. Quarter		Variation %	January-June		Variation %
	2008	2007		2008	2007	
NET SALES	5,449,620	4,970,801	9.6%	9,636,851	8,872,561	8.6%
COST OF SALES	(2,789,941)	(2,536,521)	10.0%	(4,945,767)	(4,561,616)	8.4%
GROSS PROFIT	2,659,679	2,434,280	9.3%	4,691,084	4,310,945	8.8%
	48.8%	49.0%		48.7%	48.6%	
SELLING EXPENSES	(1,204,657)	(1,083,674)	11.2%	(2,253,086)	(2,066,302)	9.0%
ADMINISTRATIVE EXPENSES	(272,633)	(256,133)	6.4%	(515,490)	(501,256)	2.8%
	(1,477,290)	(1,339,807)	10.3%	(2,768,576)	(2,567,558)	7.8%
OPERATING INCOME	1,182,389	1,094,473	8.0%	1,922,508	1,743,387	10.3%
	21.7%	22.0%		19.9%	19.6%	
COMPREHENSIVE FINANCIAL RESULT:						
INTEREST EXPENSE, NET	(25,173)	(8,296)	NA	(11,354)	(8,655)	31.2%
EXCHANGE GAIN (LOSS)	(80,812)	(13,677)	NA	(76,247)	(3,644)	NA
MONETARY POSITION GAIN (LOSS)	-	(1,155)	NA	-	(6,614)	NA
	(105,985)	(23,128)	NA	(87,601)	(18,913)	NA
	1,076,404	1,071,345	0.5%	1,834,907	1,724,474	6.4%
OTHER INCOME (EXPENSE)	38,204	35,535	NA	70,664	75,838	-6.8%
EMPLOYEES' PROFIT SHARING	(58,763)	(31,901)	84.2%	(109,028)	(91,117)	19.7%
OTHER INCOME (EXPENSE), NET	(20,559)	3,634	NA	(38,364)	(15,279)	NA
INCOME BEFORE THE FOLLOWING PROVISIONS:	1,055,845	1,074,979	-1.8%	1,796,543	1,709,195	5.1%
	19.4%	21.6%		18.6%	19.3%	
INCOME TAX	(237,910)	(277,072)	-14.1%	(446,368)	(443,088)	0.7%
EQUITY IN EARNINGS OF AFFILIATES AND MINORITY INTEREST	1,267	(4,926)	NA	1,387	(17,907)	NA
CONSOLIDATED NET INCOME	819,202	792,981	3.3%	1,351,562	1,248,200	8.3%
DEPRECIATION AND AMORTIZATION	212,285	197,398	7.5%	422,770	402,869	4.9%
EBITDA	1,394,674	1,291,871	8.0%	2,345,278	2,146,256	9.3%
EBITDA MARGIN	25.6%	26.0%		24.3%	24.2%	
Per Share Data:						
Net Income	1.02	0.98	3.3%	1.68	1.55	8.3%
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 Mexican pesos)

	as of June 30,	
	<u>2008</u>	<u>2007</u>
ASSETS		
<hr/>		
CURRENT ASSETS		
Cash & Cash Equivalents	1,376,753	2,432,050
Accounts receivable, net	806,637	797,539
Other accounts receivable	208,897	358,280
Inventories	1,179,971	1,228,913
Prepayments	96,559	110,028
Total Current Assets	3,668,817	4,926,810
INVESTMENT IN SHARES & OTHER INVESTMENTS	709,482	87,184
PROPERTY, PLANT AND EQUIPMENT	9,499,498	9,163,059
GOODWILL, NET	3,459,277	2,414,169
OTHER ASSETS	461,590	641,469
TOTAL ASSETS	17,798,664	17,232,691
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LIABILITIES AND SHAREHOLDERS' EQUITY		
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CURRENT LIABILITIES		
Bank loans	1,009,668	12,710
Suppliers & accounts payable	1,521,471	1,318,021
Other accounts payable and expenses	243,524	241,035
Total Current Liabilities	2,774,663	1,571,766
LONG TERM BANK LOANS	504,311	1,562,507
LABOR OBLIGATIONS	0	299,002
DEFERRED INCOME TAX AND OTHERS	1,525,528	1,312,240
TOTAL LIABILITIES	4,804,502	4,745,515
SHAREHOLDERS' EQUITY		
Minority interest	158	341,615
Capital Stock	4,697,989	4,697,989
Retained Earnings	6,944,452	6,199,372
Net Profit	1,351,563	1,248,200
TOTAL SHAREHOLDERS' EQUITY	12,994,162	12,487,176
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	17,798,664	17,232,691

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

As of June 30, 2008

(in thousands of Mexican pesos)

	<u>2008</u>	<u>2007</u>
INCOME (LOSS) BEFORE INCOME TAX	1,797,942	1,706,799
+ DEPRECIATION AND AMORT.	422,769	402,869
+ OTHER	9,547	(11,166)
	<hr/> 432,316	<hr/> 391,703
+ ACCRUED INTEREST	87,211	94,544
= OPERATING CASH FLOW BEFORE TAXES	2,317,469	2,193,046
- WORKING CAPITAL	<hr/> 654,937	<hr/> 496,728
= OPERATING CASH FLOW AFTER WORKING CAPITAL NEEDS	1,662,532	1,696,318
INVESTMENT ACTIVITIES		
- CAPITAL EXPENDITURES (NET)	2,065,387	831,466
FINANCING ACTIVITIES		
- DIVIDENDS PAID	765,719	748,341
- SHARE REPURCHASE PROGRAM	118,379	138,832
- DEBT AMORTIZATION	6,486	15,204
- INTEREST PAID	86,895	94,675
- OTHERS	(1,445)	-
	<hr/> 976,034	<hr/> 997,052
= NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	(1,378,889)	(132,200)
CHANGE IN CASH	(1,921)	247
CASH BALANCE AT THE BEGINNING OF PERIOD	2,757,562	2,564,000
= CASH BALANCE AT THE END OF PERIOD	1,376,752	2,432,047