

Monterrey

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EARNINGS RELEASE

SECOND QUARTER 2009 RESULTS

- **Net sales increased 12.2% while sales volume rose 14.0% in 2Q09.**
- **Operating income grew 0.2% in 2Q09.**
- **EBITDA increased 3.8% in 2Q09.**
- **Bokados sales went up 29.1% in 2Q09.**

Second Quarter 2009 (2Q09) Highlights:

- Total sales volume* increased 14.0% to 158.0 MUC.
- Net sales reached Ps. 6,116.9 million, up 12.2% when compared to 2Q08.
- Operating income rose 0.2% to Ps. 1,184.3 million, representing a margin of 19.4%.
- EBITDA** reached Ps. 1,447.2 million, 3.8% higher than 2Q08, representing a margin of 23.7%.
- Net income decreased 6.5% to Ps. 766.3 million, or Ps. 0.95 per share in 2Q09.

First Half 2009 (1H09) Highlights:

- Total sales volume* increased 19.6% to 291.1 MUC.
- Net sales rose 18.7% to Ps. 11,441.3 million when compared to 1H08.
- Operating income rose 0.9% to Ps. 1,939.9 million.
- EBITDA** reached Ps. 2,469.8 million, 5.3% higher than in 1H08, reaching a margin of 21.6%.
- Net income declined 8.9% to Ps. 1,230.8 million, or Ps. 1.53 per share in 1H09.

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

**Operating Profit + Depreciation + Amortization

Monterrey, Mexico, July 16, 2009 – 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 of 2009.

Comments from the Chief Executive Officer:

Mr. Francisco Garza Egloff, Arca’s Chief Executive Officer, stated, “After slightly more than one year since initiating operations in Argentina, we can affirm that our actions have resulted in significant improvements in operations, market share and sales volume growth, evidenced by the 13% increase in sales volume achieved during the second quarter of 2009. Therefore, we will keep working arduously to achieve the goals we have set for creating value and continue advancing, as we have to date, in this important market.”

He added, “In terms of our core business of beverages in Mexico, and in the face of a challenging economic environment, we have focused on optimizing our operation and perfecting our market service, in order to strengthen our Company’s profitability. Similarly, our snack food business, Bokados, continues posting major improvements thanks to the efforts to expand to new areas, which will be boosted further by the inauguration of a new production plant in the Western zone, as well as the acquisition of the Trechas brand salsa business.”

OPERATING RESULTS

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

	Quarter			Six Months		
	2Q09	2Q08	Var. %	2009	2008	Var. %
Total Volume*	157,962	138,543	14.0%	291,092	243,470	19.6%

* Excludes jug water presentations

Beverage sales volume (excluding jug water) increased 14.0% in 2Q09 when compared to 2Q08, reaching a total of 158.0 MUC. As explained last quarter, the increase is attributed to the incorporation of volumes from the two bottlers acquired during 2008 in Northern Argentina, which contributed sales of 28.1 MUCs during 2Q09. The Beverage Division – Mexico posted a 3% decline in sales volume when compared to 2Q08.

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

	Quarter			Six Months		
	2Q09	2Q08	Var. %	2009	2008	Var. %
Colas	102,204	87,389	17.0%	188,428	156,816	20.2%
Diet Soft Drinks	9,935	9,406	5.6%	18,446	17,077	8.0%
Flavors*	33,499	31,468	6.5%	63,001	53,912	16.9%
Purified Water**	7,644	6,706	14.0%	12,932	10,121	27.8%
Other***	4,680	3,574	30.9%	8,286	5,544	49.5%
TOTAL	157,962	138,543	14.0%	291,092	243,470	19.6%
Jug Water (1)	4,667	5,188	-10.0%	8,207	8,943	-8.2%

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

** Excludes jug water presentations.

*** Includes sports drinks, juices, milks and teas.

(1) In thousand of jugs

During 2Q09 the **colas** segment grew 17.0% (Mexico -1.2%), reaching 102.2 MUC, while **diet soft drinks** increased 5.6% (Mexico -5.7%). The flavors segment grew 6.5% (Mexico -11.9%) in 2Q09 when compared to the same period in 2008.

Topo Chico mineral water registered an 8% decrease during 2Q09, while exports of this product to the U.S. rose 17%.

Purified water in single serve formats increased 14.0% during 2Q09 (Mexico 0.3%) mainly as a result of the incorporation of Argentine sales volume.

During 2Q09, the **new categories** segment posted sales volume growth of 30.9% (Mexico 27.1%) when compared to 2Q08. It is worth noting that as of March 2008, Arca has distributed Jugos del Valle products within the traditional channel, therefore 2Q09 volumes are comparable with those of 2Q08.

Arca continues driving sales of flavors in a significant manner via the introduction of new and different packaging in order to mitigate, as much as possible, the downward trend observed on a national level during the past few quarters. Arca has introduced Joya and Fanta brand flavors such as tamarind, apple, peach, pineapple, lemon-lime, strawberry and grape, in both returnable and non-returnable presentations.

During 2Q09 Arca held the following **promotions**:

- **Solidarity Plan Phase II – Back to School** – Instant prize of Ps. 50 thousand pesos (50 giveaways in total) under crown and twist off caps in various Coca-Cola brand products.
- **Tapipesos** – 500 and 600-ml twist off caps marked with Ps. 1 towards the purchase of Coca-Cola products, Ps. 0.50 on 500-ml returnable presentations and Ps. 2 on 1.5 and 2-liter returnable presentations in several Coca-Cola brand flavors.

Table 3. SALES BY FORMAT AND SIZE (in '000 unit cases)								
	Quarter				Six Months			
	2Q09	% of total	2Q08	% of total	2009	% of total	2008	% of total
Returnable (R)	53,495	34%	40,972	30%	99,467	34%	72,696	30%
Non returnable (NR)	104,467	66%	97,570	70%	191,625	66%	170,773	70%
Single serve	63,937	41%*	67,258	49%	116,398	40%	118,819	49%
Multiple serve	94,026	59%	71,285	51%	174,694	60%	124,650	51%

* In Mexico 48% in 2Q09

In terms of Arca's product mix in Mexico, during 2Q09 returnable products represented 31% of the total mix, slightly above the 29% registered in 2Q08. This demonstrates that during adverse economic conditions these products, which are more accessible to our consumers, are benefitted. On the other hand, single serve products in Mexico decreased slightly in 2Q09 vs. 2Q08 to 48% of the total mix. Arca continues its efforts to trigger growth in these types of products that have greater margins.

Arca continues seeking areas of opportunity to maximize sales volume of vending machines in operation; thus, the Company is constantly adapting, in a segmented and precise fashion, its product offering per machine based on its location with the goal of increasing profitability. In this manner, Arca has focused its efforts on relocating unproductive vending machines, and vending machines used by clients that have closed their business. Additionally, Arca has worked to improve its packaging mix, placing SKU's with greater profitability and price. As part of this strategy, Arca is offering packages in varying sizes, within the same category, giving the consumer the option to decide between a wider range of products that meet their specific needs. Finally, Arca has optimized the number of routes in order to reduce operating costs.

With respect to Arca's snack business, Bokados continues to grow in a significant manner, not only in operational terms, but also financially. To date, Bokados has 29 distribution centers, operating in 24 cities within Mexico, including the zone covering the Metropolitan area of Mexico City. Recently, the official inauguration of a new production plant in Ciudad Obregón, Sonora took place in which Arca invested more than US\$17 million. This plant has the most modern technology and quality control systems in the industry and strengthens Arca's expansion strategy in this region of the country.

Arca's exports of Topo Chico products to the United States continued to grow at a significant rate, registering an increase of close to 20% in volume terms. In addition, the Company continued to export Bokados products, which have had great acceptance in the U.S. Hispanic market, and recently incorporated the Trechas brand into the product portfolio showing positive results.

With respect to the information systems area, the Company continues to optimize Arca's Shared Central Services upon concluding the implementation of the new Supplier Portal. This project will increase the efficiency and productivity of supply chain administrative services and accounts payable. With this new tool, Arca simultaneously strengthens and makes more agile communications with its suppliers, yields important improvements in the productivity of resources dedicated to the verification of invoices, while decreasing the volume of documents received for validation.

In Argentina, Project Omega was initiated, which consists of the implementation of the SAP ERP platform. This project will drive improvements in administrative functions, and at the same time, capitalize on opportunities in the area of production to optimize economies of scale in raw material purchases. Thus, the Company will achieve a standardization of performance processes and indicators. As is the case with projects of this type and magnitude, the human factor is a key aspect to its successful conclusion.

FINANCIAL ANALYSIS

INCOME STATEMENT

Net sales for 2Q09 reached Ps. 6,119.9 million, an increase of 12.2% (1.5% excluding Argentina) compared to Ps. 5,449.6 million in 2Q08. As explained in 1Q09, this increase was mainly due to the incorporation of financial results from the two Argentine territories acquired in 2008. With regard to the soft drink business in Mexico, the average price per unit case decreased 3.0%, while the average price per unit case increased 3.6% to Ps. 40.0 in 2Q09. Recently, Arca was able to carry out selective price adjustments, specifically in the 12 oz. glass returnable, from Ps. 3.50 to Ps. 4.00.

During 2Q09, cost of goods sold increased 14.8% (2.1% excluding Argentina) when compared to 2Q08, mainly resulting from the incorporation of the Argentine operations, as well as important increases in the price of sugar observed during the quarter. The consolidated gross margin for 2Q09 was 47.9% (49.1% excluding Argentina). Cost of goods sold per unit case (excluding Argentina) increased 4.3% from Ps. 19.6 in 2Q08 to Ps. 20.5 in 2Q09.

Selling and administrative expenses increased 17.1% (2.3% excluding Argentina) from Ps. 1,491.5 million to Ps. 1,746.5 million in 2Q09. Specifically, during 2Q09, selling expenses increased 16.3% (2.6% excluding Argentina), while administrative expenses increased 20.6% (0.9% excluding Argentina).

Operating income (excluding non-recurrent expenses) for 2Q09 rose 0.2% (-1.0% excluding Argentina) with respect to 2Q08, reaching Ps. 1,157.7 million with an operating margin of 19.4%. EBITDA increased 3.8% (0.7% excluding Argentina) to Ps. 1,447.2 million, representing an EBITDA margin of 23.7% (25.8% excluding Argentina).

The integral cost of financing was Ps. 59.0 million in 2Q09 compared to Ps. 106.0 million in 2Q08. The 2Q09 figure includes financial expenses of Ps. 79.1 million derived from a higher debt level.

During 2Q09, other income of Ps. 58.4 million was reported mainly related income from various sales, as well as the cancellation of provisions for the cancellation of some fixed assets.

Provisions for income tax and employee profit sharing reached Ps. 390.8 million in 2Q09, (effective tax rate of 33.8%) compared to Ps. 296.7 million in 2Q08 (effective tax rate of 26.6%). This differential was mainly due to the fact that during 2008, the company took advantage of various fiscal stimulus efforts.

As a result of the above, Arca's net income for 2Q09 decreased 6.5%, reaching Ps. 766.3 million or Ps. 0.95 per share.

BALANCE SHEET AND CASH FLOW STATEMENT

As of June 30, 2009, Arca's cash balance was Ps. 1,415.1 million, with financial debt of Ps. 3,537.4 million, leaving a net debt of cash of Ps. 2,122.3 million. At the beginning of June, the Company issued Ps. 1,500 million in local bank debt ('certificados burátiles'), Ps. 1,000 million with a 3-year tenor and a 28-day TIIE (*Tasa de Interés Interbancaria de Equilibrio*, or "Equilibrium Interbank Interest Rate") plus 1.0 percentage points, as well as Ps. 500 million for a tenor of 7 years, yielding a fixed rate of 9.75%. The proceeds from this issuance will be primarily used to prepay previously issued short-term bank liabilities for a total amount of Ps. 1,300 million. With this transaction, Arca significantly improved its debt profile. Recently, of the Ps. 1,000 million issued at a variable rate, Ps. 500 million were fixed at a rate of 7.35%.

Investment in fixed assets reached Ps. 759.0 million during 1H09, mainly allocated towards the replacement of transportation equipment, the installation of additional coolers throughout the market, plant expansions, and the improvement of production lines.

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 %
	2009	2008		2009	2008	
NET SALES	6,116,934	5,449,620	12.2%	11,441,322	9,636,851	18.7%
COST OF SALES	(3,186,107)	(2,775,742)	14.8%	(6,079,179)	(4,917,867)	23.6%
GROSS PROFIT	2,930,827	2,673,878	9.6%	5,362,143	4,718,984	13.6%
	47.9%	49.1%		46.9%	49.0%	
SELLING EXPENSES	(1,413,212)	(1,214,989)	16.3%	(2,741,668)	(2,273,466)	20.6%
ADMINISTRATIVE EXPENSES	(333,326)	(276,503)	20.6%	(680,571)	(523,011)	30.1%
	(1,746,538)	(1,491,492)	17.1%	(3,422,239)	(2,796,477)	22.4%
OPERATING INCOME	1,184,289	1,182,386	0.2%	1,939,904	1,922,507	0.9%
	19.4%	21.7%		17.0%	19.9%	
NON-RECURRING EXPENSES	(26,569)	-	NA	(36,616)	-	#DIV/0!
COMPREHENSIVE FINANCIAL RESULT:						
INTEREST EXPENSE, NET	(67,932)	(25,173)	NA	(135,962)	(11,354)	1097.5%
EXCHANGE GAIN (LOSS)	8,960	(80,812)	NA	(1,643)	(76,247)	NA
	(58,972)	(105,985)	NA	(137,605)	(87,601)	NA
	1,098,748	1,076,401	2.1%	1,765,683	1,834,906	-3.8%
OTHER INCOME (EXPENSE)	58,427	38,204	NA	77,780	70,664	10.1%
EMPLOYEES' PROFIT SHARING	(66,552)	(58,763)	13.3%	(101,541)	(109,028)	-6.9%
OTHER INCOME (EXPENSE), NET	(8,125)	(20,559)	-60.5%	(23,761)	(38,364)	NA
INCOME BEFORE THE FOLLOWING PROVISIONS:	1,090,623	1,055,842	3.3%	1,741,922	1,796,542	-3.0%
	17.8%	19.4%		15.2%	18.6%	
INCOME TAX	(324,296)	(237,910)	36.3%	(511,046)	(446,368)	14.5%
EQUITY IN EARNINGS OF AFFILIATES AND MINORITY INTEREST	(8)	1,267	NA	(45)	1,387	NA
CONSOLIDATED NET INCOME	766,319	819,199	-6.5%	1,230,831	1,351,561	-8.9%
DEPRECIATION AND AMORTIZATION	262,939	212,285	23.9%	529,857	422,770	25.3%
EBITDA	1,447,228	1,394,671	3.8%	2,469,761	2,345,277	5.3%
EBITDA MARGIN	23.7%	25.6%		21.6%	24.3%	
Per Share Data:						
Net Income	0.95	1.02	-6.5%	1.53	1.68	-8.9%
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 Mexican pesos)

	as of June 30,	
	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash & Cash Equivalents	1,415,095	1,376,753
Accounts receivable, net	953,957	806,637
Other accounts receivable	286,396	208,897
Inventories	1,755,447	1,179,971
Prepayments	131,827	96,559
Total Current Assets	4,542,721	3,668,817
INVESTMENT IN SHARES & OTHER INVESTMENTS	786,888	709,482
PROPERTY, PLANT AND EQUIPMENT	10,983,160	9,499,498
GOODWILL, NET	4,546,145	3,459,277
OTHER ASSETS	1,726,780	461,589
TOTAL ASSETS	22,585,695	17,798,664
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Bank loans	1,537,422	1,009,668
Suppliers & accounts payable	1,692,810	1,521,471
Other accounts payable and expenses	423,390	243,524
Total Current Liabilities	3,653,622	2,774,664
LONG TERM BANK LOANS	2,000,000	504,311
LABOR OBLIGATIONS	25,820	0
DEFERRED INCOME TAX AND OTHERS	2,063,389	1,525,528
TOTAL LIABILITIES	7,742,831	4,804,502
SHAREHOLDERS' EQUITY		
Minority interest	151	158
Capital Stock	4,697,989	4,697,989
Retained Earnings	8,913,892	6,944,452
Net Profit	1,230,831	1,351,563
TOTAL SHAREHOLDERS' EQUITY	14,842,863	12,994,162
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,585,695	17,798,664

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

As of June 30, 2008

(in thousands of Mexican pesos)

	<u>2009</u>	<u>2008</u>
INCOME (LOSS) BEFORE INCOME TAX	1,741,890	1,797,942
+ DEPRECIATION AND AMORT.	529,857	422,770
+ OTHER	126	7,139
	<hr/> 529,983	<hr/> 429,909
+ ACCRUED INTEREST	168,759	87,211
= OPERATING CASH FLOW BEFORE TAXES	2,440,632	2,315,062
- WORKING CAPITAL AND TAXES	<hr/> 650,942	<hr/> 705,023
= OPERATING CASH FLOW AFTER WORKING CAPITAL NEEDS	1,789,690	1,610,039
INVESTMENT ACTIVITIES	886,596	2,063,202
FINANCING ACTIVITIES		
- DIVIDENDS PAID	799,264	765,719
- SHARE REPURCHASE PROGRAM	(19,383)	118,378
- DEBT AMORTIZATION	(549,895)	6,486
- INTEREST PAID	167,915	86,895
- OTHERS	7,961	(51,751)
	<hr/> 405,862	<hr/> 925,727
= NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	497,232	(1,378,890)
CHANGE IN CASH	(40,793)	(1,922)
CASH BALANCE AT THE BEGINNING OF PERIOD	958,655	2,757,562
= CASH BALANCE AT THE END OF PERIOD	1,415,094	1,376,750