EMBOTELLADORAS ARCA

Earnings Release

COTIZA EN BOLSA MEXICANA DE VALORES
ARCA

IR Contacts:

In Monterrey:
Carlos Beltrán del Río M.
E-mail: carlos.beltran@e-arca.com.mx
Alberto Guajardo
E-mail: alberto.guajardo@e-arca.com.mx
Investor Relations
Tel: (528) 18 151-1443 or
18 151-1400 Ext. 1311

In New York:
Melanie Carpenter
Maria Barona
i-advize Corporate Communications
Tel: (212) 406-3692
Email: arca@i-advize.com

SECOND QUARTER 2006 RESULTS

- **Net sales rose 12% and volume grew 10% in 2Q06 vs 2Q05.**
- **Net income increased 41% to Ps. 717 million in 2Q06.**

Second Quarter 2006 (2Q06) Highlights:

- In 2Q06, total sales volume* increased 10% to 127.5 MUC.
- Net sales were Ps. 4,448.2 million in 2Q06, an increase of 12.1% when compared to 2Q05.
- Operating income (excluding non-recurring items) rose 22.3% to Ps. 1,077.0 million.
- EBITDA** (excluding non-recurring expenses) reached Ps. 1,252.4 million, 18.9% higher than in 2Q05, representing an EBITDA margin of 28.2%.
- Net income increased 41% when compared to 2Q05, to Ps. 716.6 million, or Ps. 0.89 per share.

First Half 2006 (1H06) Highlights:

- Total sales volume* increased 10.4% in 1H06 vs 1H05 to 225.4 MUC.
- Net sales grew 12.1% to Ps. 7,802.0 million in 1H06 vs 1H05.
- Operating income (excluding non-recurring expenses) in 1H06 increased by 28.4% when compared to 1H05, to Ps. 1,708.8 million. The operating margin was 21.9% in 1H06 compared to 19.1% in 1H05.
- EBITDA** (excluding non-recurring expenses) increased 23.2% from Ps. 1,669.9 million in 1H05 to Ps. 2,057.7 million in 1H06, representing an EBITDA margin of 26.4%.
- Net income for 1H06 increased by 32.5% to Ps. 1,122.0 million, or Ps. 1.39 per share, when compared to Ps. 846.7 million reported for 1H05.

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

**Operating Income + Depreciation + Amortization

Monterrey, Mexico, July 20, 2006 – Embotelladoras Arca, S.A. 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 ended June 30, 2006. All figures are expressed in thousands of constant Mexican pesos as of June 30, 2006.

Comments from the Chief Executive Officer

Mr. Francisco Garza Egloff, Arca's Chief Executive Officer, stated, "These results reflect the great effort of all of our employees in serving our clients and consumers, strengthening our market leadership by capitalizing on the opportunities generated by improved economic conditions, favorable weather and a stable pricing environment in the industry. We are committed to constantly monitoring service quality and execution indicators such as the availability of our products at the point of sale and cooler coverage, combined with promotions and innovative packaging."

He added, "Our new information systems and state-of-the-art technology have played a pivotal role in our strong results by allowing us better coordination throughout the various links in the production and sales chain, from the supply of raw materials to the delivery of our final product at the point of sale. This has enabled us to satisfy the growing demand for our products with high service standards while controlling our costs and expenses."

OPERATING RESULTS

Sales volume in 2Q06 increased 9.8% compared to 2Q05, reaching a total of 127.5 MUC. This solid growth was reflected in all of the Company's segments and territories due to strategies in the market and to the systems and technology implemented in advance that were aimed at capitalizing on the opportunities created by the improved economic environment and more favorable climate in the regions in which we operate.

Furthermore, we continue innovating the ways in which we distribute and promote our products, by offering an extensive product portfolio for each consumption occasion.

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

	Quarter			Six Months		
	2Q06	2Q05	Var. %	2006	2005	Var. %
Total Volume *	**127,524**	**116,095**	**9.8%**	**225,437**	**204,243**	**10.4%**

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

In real terms, the average price per unit case rose 2.1%, from Ps. 34.2 in 2Q05 to Ps. 34.9 in 2Q06. As mentioned in previous earnings releases, this was the result of the selective price increases made in the majority of our territories at the end of 2005 and the beginning of 2006 as well as a segmented execution.

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

	Quarter			Six Months		
	2Q06	2Q05	Var. %	2006	2005	Var. %
Colas	81,692	75,249	8.6%	146,136	133,946	9.1%
Diet Soft Drinks	8,111	7,430	9.2%	14,791	13,305	11.2%
Flavors*	31,486	28,523	10.4%	54,824	49,392	11.0%
Purified Water**	4,940	4,087	20.9%	7,620	6,270	21.5%
Other***	1,295	806	60.5%	2,067	1,330	55.4%
TOTAL	**127,524**	**116,095**	**9.8%**	**225,437**	**204,243**	**10.4%**

* 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 2Q06, **cola** sales rose 8.6% to Ps. 81.7 MUC. This growth was mainly due to the availability of a wide variety of price and packaging options aimed at meeting the specific needs of our diverse consumer groups.

The **diet** segment increased 9.2% during 2Q06 as a result of the excellent performance of *Coca-Cola Light,* including the introduction of the Caffeine free version and the "Spacio Leve" light products as well as the sharp growth of *Topo Chico Sangria Light* .

The **flavors** segment grew 10.4% in 2Q06 due to the solid performance of the *Fanta* and *Sprite* brands, which stemmed from the recent promotions aimed at youngsters. The *Joya* brand multi-flavor products also maintained their highly favorable growth thanks to the complementing of this brand with other national flavor brands.

Topo Chico brand mineral water continued its growth pace by posting a 20% rise in sales during 2Q06 due to its recognized quality and prestige, greater coverage and stronger position among the younger population. Furthermore, exports to the U.S. rose 23% year-over-year thanks to a greater coverage in the West Coast, improved service and new product offering.

Single serve **purified water** increased by 20.9% in 2Q06 due to, among other efforts, the new marketing strategies at the point of sale, client incentives, the recent image re-launch of *Ciel* brand water and a more favorable climate in the regions in which we operate.

During 2Q06, the volume of **new categories** posted a major increase of 60.5% thanks to the wide acceptance of *Ciel Aquarius* flavored water and the recent launch of *Minute Maid* juices.

Jug water sales grew 14% in 2Q06 vs. 2Q05 with significant improvements in profitability due to the recent measures aimed at improving per route productivity.

During 2Q06, Arca launched the following products:

- Coca-Cola Pet Ball ("Baloncheso") in 400 ml. during the FIFA World Cup season.
- Caffeine-free Coca-Cola Light in 600 ml. NR.
- Segmented introduction of Coca-Cola in 1-liter glass returnable bottles in certain cities and routes servicing low income neighborhoods.
- Minute Maid Forte juices in apple and orange as well as Minute Maid Forte mango and peach nectars.
- Powerade Full Body FIFA World Cup.

During 2Q06, Arca launched new promotions including

FIFA World Cup promotions such as **World Cup Kbzones** consisting in the exchange of closures of single-serve formats plus Ps. 5 for plastic figurine representing soccer players and fans. In addition, several combos that included softdrinks and giveaways such as the **Mexican National Team Jersey, Coca-Cola World Cup Soccer Balls** and **World Cup Video Games.**

Complete Your Tableware Aimed at housewives and applies to 12-oz., 500-ml., 2-liter and 2.5-liter REF-PET packages of Coca-Cola. A 2-plate set of china in exchange for 3 plastic caps or 6 crown caps plus Ps. 30.

Konec-T Coca-Cola. Consist of the accumulation of points included in the closures of single-serve packages that can be used to purchase jerseys, music CDs, video games among other prizes.

Table 3. SALES BY FORMAT AND SIZE (in '000 unit cases)

	Quarter				Six Months			
	2Q06	% of total	2Q05	% of total	2006	% of total	2005	% of total
Returnable (R)	45,259	35.5%	47,808	41%	81,576	36%	86,414	42%
Non returnable (NR)	82,265	64.5%	68,287	59%	143,861	64%	117,830	58%
Single serve	65,925	51.7%	61,363	53%	117,773	52%	107,931	53%
Multiple serve	61,600	48.3%	54,732	47%	107,664	48%	96,313	47%

In our information systems area, we are about to complete the implementation of the Commercial System in the Pacific North zone, which includes the latest technology, software and hand-helds to better serve the market. With this, we will have five of the six zones operating under this system, leaving only the implementation in the Pacific South zone, which we expect to complete during the fourth quarter of 2006. This will provide the necessary tools to improve our execution at the point of sale and be one step ahead of competition.

In the supply chain project, we completed the implementation of SAP GATP (Global Available to Promise), the purpose of which is to guarantee the availability of our products through the automated tracking of SKUs in Arca's logistic network, at the lowest cost possible. This technology allows us to increase our service indicators and customer satisfaction.

During the first half of 2006, the SAP RH module was completed in all regions. This new system allows for a centralized administration of human resources functions such as payroll, unifying personnel benefits and the automation of sales commissions customized to the needs of each zone, among other benefits. In addition, the second stage of our "VIA" intranet portal was finalized thus achieving the automation of a variety of personnel services, including online viewing of payroll receipt, request and approval of vacations, updating personal information, and availability and reservation of office resources.

To keep production capacity according to the projected demand, during 2Q06 two bottling lines started operating: one in the city of Matamoros and another in Monterrey. The latter is flexible, capable of bottling both glass NR and PET NR containers. Moreover, two distribution centers began operations: one in Delicias, Chihuahua and another in Reynosa, Tamaulipas. The first has the capability to increase our productivity as it is adapted for "cross-docking" operations where delivery trucks are loaded directly from the trailers which supply the region, thus minimizing inventory levels and guaranteeing a fresher product for our customers.

FINANCIAL ANALYSIS

INCOME STATEMENT

Net sales for 2Q06 reached Ps. 4,448.2 million, which represents an increase of 12.1% with respect to the Ps. 3,966.8 million reported in 2Q05. The average price per unit case in 2Q06 was Ps. 34.9, an increase of 2.1% when compared to the average price in 2Q05. This resulted from selective increases passed at the end of 2005 and beginning of 2006 in the majority of our territories.

During 2Q06, cost of goods sold increased 12.0% when compared to 2Q05 to Ps. 2,237.8 million. Gross margin in 2Q06 slightly increased to 49.7%, even with the significant increase in non-returnable package sales.

Selling and administrative expenses, as a percentage of sales, decreased from 27.4% to 25.5% year-over-year. Specifically, during 2Q06, selling expenses increased 4.7% to Ps. 894.3 million due to higher sales volume, greater expenses for the launching of new products, as well as new promotions and advertising. However, administrative expenses increased by 2% to Ps. 239.2 million.

As a result of the above, operating income for 2Q06 increased 22.3% when compared to 2Q05 to Ps. 1,077.0 million, while the operating margin went from 22.2% in 2Q05 to 24.2% in 2Q06. EBITDA rose 18.9% from Ps. 1,053.0 million in 2Q05, to Ps. 1,252.4 million in 2Q06 for an EBITDA margin of 28.2%.

During 2Q06, non-recurring expenses reached Ps. 7.0 million, mainly allocated towards personnel severance payments, compared to Ps. 9.9 million reported in 2Q05.

The integral cost of financing result in 2Q06 was a positive Ps. 20.6 million, compared to an integral cost of financing of Ps. 37.6 million in 2Q05. This was mainly due to a Ps. 18.9 million FX gain in 2Q06 vs Ps. 31.3 million loss in 2Q05.

During 2Q06, other expense of Ps. 6.6 million was reported compared to other income of Ps. 3.2 million registered during the same period of 2005.

Provisions for income tax and employee profit sharing were Ps. 367.1 million in 2Q06, representing an effective tax rate of 33.9%, compared to Ps. 328.4 million or 39.3% in 2Q05.

Arca reported net income of Ps. 716.6 million for 2Q06, or Ps. 0.89 per share as a result of its strong operating performance and healthy financial structure.

BALANCE SHEET AND CASH FLOW STATEMENT

At June 30, 2006, Arca's cash balance was Ps. 2,686.4 million and its debt totaled Ps. 1,539.2 million for a net cash position was Ps. 1,147.2 million.

Net operating cash flow increased 50.3% in 1H06 to Ps. 1,854.5 million due to improved operating results and a disciplined use of working capital. During 2Q06, Arca paid Ps. 683 million in dividends, or Ps. 0.85 per share.

Investment in fixed assets totaled Ps. 413.0 million in 1H06, allocated mainly towards increasing the capacity of NR packages, the construction of new distribution centers and facilities for bottle injection and blowing equipment, regular maintenance and replacement of plants and equipment, as well as the installation of coolers and vending machines.

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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 2002 through the merger of three of the oldest bottlers in Mexico and is now the second-largest 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.

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. DE C. V. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(in thousands of constant Mexican pesos as of June 30, 2006)

	2nd. Quarter		January-June	
	2006	**2005**	**2006**	**2005**
NET SALES	4,448,233	3,966,795	7,802,010	6,958,148
COST OF SALES	(2,237,778)	(1,997,467)	(3,957,858)	(3,574,546)
GROSS PROFIT	2,210,455	1,969,328	3,844,151	3,383,601
	49.7%	49.6%	49.3%	48.6%
SELLING EXPENSES	(894,282)	(853,946)	(1,680,248)	(1,612,930)
ADMINISTRATIVE EXPENSES	(239,194)	(234,554)	(455,119)	(439,810)
OPERATING INCOME (excludes non-recurring expenses)	1,076,979	880,829	1,708,785	1,330,862
	24.2%	22.2%	21.9%	19.1%
NON-RECURRING EXPENSES	(7,020)	(9,892)	(19,061)	(19,751)
COMPREHENSIVE FINANCIAL RESULT:				
INTEREST EXPENSE, NET	2,490	(3,111)	10,607	(8,443)
EXCHANGE GAIN (LOSS)	18,874	(31,303)	29,331	(30,695)
MONETARY POSITION GAIN (LOSS)	(790)	(3,193)	(3,649)	(2,862)
	20,575	(37,607)	36,289	(42,000)
	1,090,534	833,330	1,726,012	1,269,111
OTHER INCOME (EXPENSE), NET	(6,646)	3,159	(3,626)	40,326
INCOME BEFORE THE FOLLOWING PROVISIONS:	1,083,888	836,489	1,722,386	1,309,437
	24.4%	21.1%	22.1%	18.8%
PROVISIONS FOR:				
INCOME ASSET TAX	(289,019)	(249,607)	(475,101)	(354,110)
EMPLOYEES' PROFIT SHARING	(78,084)	(78,788)	(124,881)	(109,886)
TOTAL PROVISIONS	(367,103)	(328,395)	(599,982)	(463,997)
EQUITY IN EARNINGS OF AFFILIATES AND MINORITY INTEREST	(151)	636	(373)	1,292
CONSOLIDATED NET INCOME	**716,635**	**508,730**	**1,122,032**	**846,732**
DEPRECIATION AND AMORTIZATION	175,446	172,138	348,944	338,999
EBITDA (excludes non-recurring expenses)	**1,252,425**	**1,052,967**	**2,057,729**	**1,669,861**
EBITDA MARGIN	**28.2%**	**26.5%**	**26.4%**	**24.0%**
Per Share Data:				
Net Income	0.89	0.63	1.39	1.05
Total number of shares outstanding ('000)	806,020	806,020	806,020	806,020

EMBOTELLADORAS ARCA, S. A. DE C. V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in thousands of constant Mexican pesos as of June 30, 2006)

	as of June 30, 2006	2005
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	2,686,367	2,061,975
Accounts receivable, net	693,359	524,465
Other accounts receivable	141,037	204,472
Inventories	921,835	872,519
Prepayments	57,527	68,006
Total Current Assets	**4,500,125**	**3,731,437**
ACCOUNTS RECEIVABLE - LONG TERM	214,152	285,920
INVESTMENT IN SHARES	124,333	126,873
PROPERTY, PLANT AND EQUIPMENT	7,946,971	7,880,506
GOODWILL, NET	2,116,959	2,101,736
OTHER ASSETS	317,246	150,682
TOTAL ASSETS	**15,219,786**	**14,277,154**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank loans	11,857	11,553
Suppliers	807,815	741,955
Other accounts payable and expenses	746,351	509,944
Total Current Liabilities	**1,566,023**	**1,263,452**
LONG TERM BANK LOANS	1,527,326	1,586,149
PENSION PLANS AND SENIORITY PREMIUMS	320,211	168,145
DEFERRED INCOME TAX AND OTHERS	1,038,340	1,131,615
TOTAL LIABILITIES	**4,451,900**	**4,149,361**
SHAREHOLDERS' EQUITY		
Capital Stock	5,013,817	5,012,251
Retained Earnings	4,632,037	4,268,810
Net Profit (Loss)	1,122,032	846,732
TOTAL SHAREHOLDERS' EQUITY	**10,767,886**	**10,127,793**
TOTAL LIABILITIES AND SHAREHODLERS' EQUITY	**15,219,786**	**14,277,154**

EMBOTELLADORAS ARCA

EMBOTELLADORAS ARCA, S. A. DE C. V. AND SUBSIDIARIES
CASH FLOW STATEMENT
As of June 30, 2006
(in thousands of constant Mexican pesos as of June 30, 2006)

	2006	2005
NET INCOME	**1,122,032**	**846,732**
+ DEPRECIATION AND AMORT.	348,046	336,539
+ OTHER	33,234	8,597
+ PENSION PLANS AND SENIORITY PREMIU	29,696	24,022
= OPERATING CASH FLOW	**1,533,008**	**1,215,890**
- WORKING CAPITAL	**(321,509)**	**(19,114)**
= OPERATING CASH FLOW AFTER WORKING CAPITAL NEEDS	**1,854,517**	**1,235,004**
- DEBT AMORTIZATION	12,385	20,849
- CAPITAL EXPENDITURES (NET)	413,046	421,851
- DIVIDENDS PAID	682,719	663,041
- SHARE REPURCHASE PROGRAM	22,846	(76,806)
= OPERATING CASH FLOW AFTER FIN. AND INVESTING NEEDS	**723,521**	**206,069**
CASH BALANCE AT THE BEGINNING OF PERIOD	**1,962,846**	**1,855,906**
= CASH BALANCE AT THE END OF PERIOD	**2,686,367**	**2,061,975**