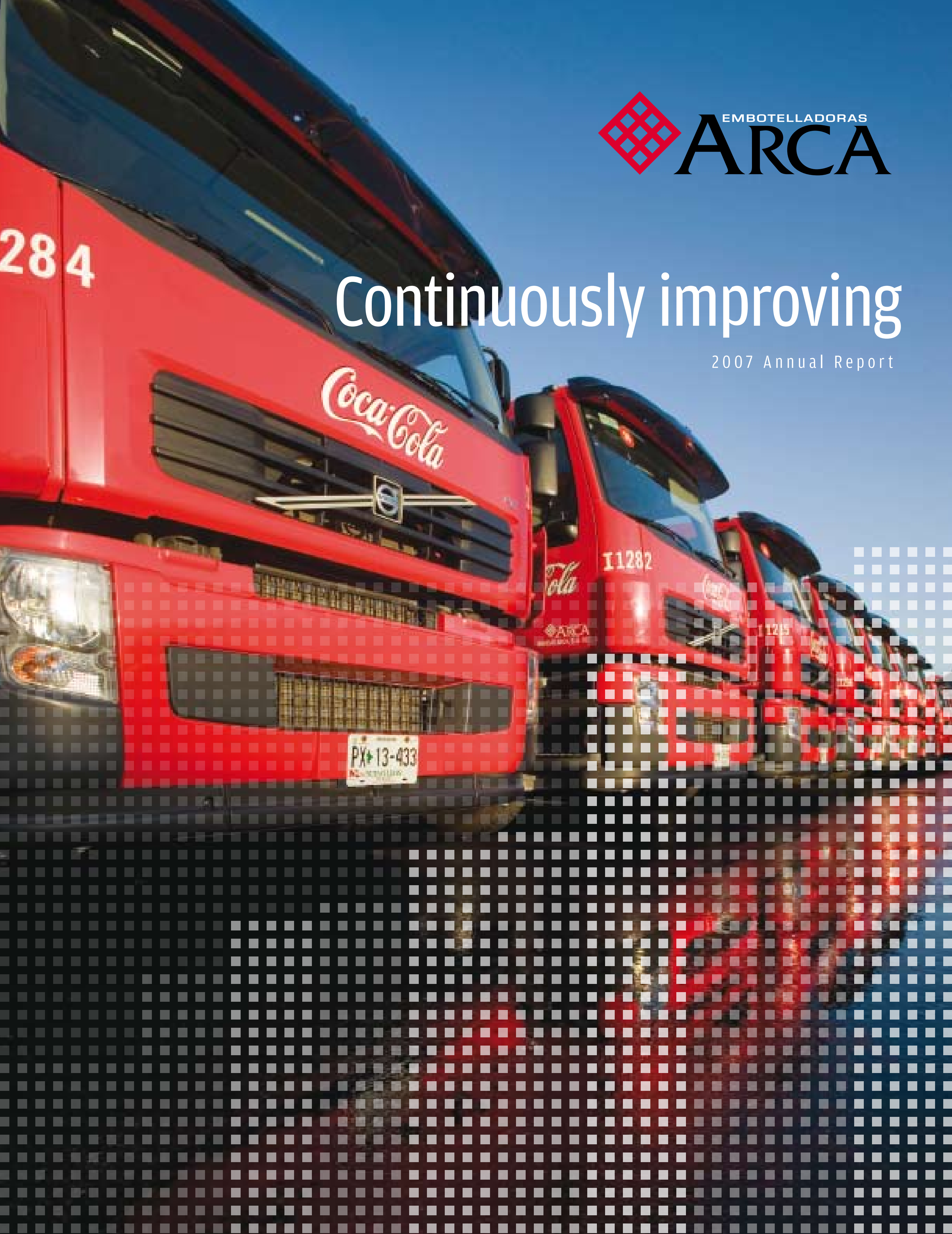
EMBOTELLADORAS ARCA

Continuously improving

2007 Annual Report



ARCA PRODUCES, DISTRIBUTES AND SELLS BEVERAGES UNDER THE COCA-COLA COMPANY BRAND. 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.

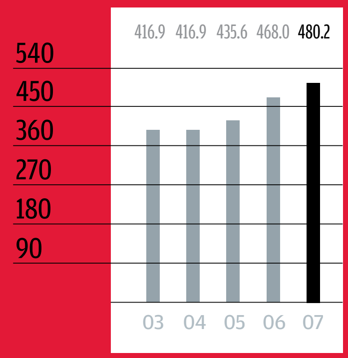
INDEX

FINANCIAL HIGHLIGHTS

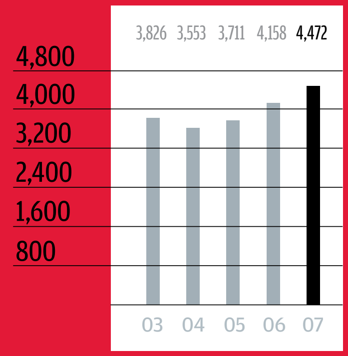
(in millions of Mexican Pesos in purchasing power as of December 31, 2007 except per share data)

	2007	2006	Change %
Sales Volume (Millions of Unit Cases) [1]	**480.2**	468.0	2.6%
Net Sales	**18,586**	17,298	7.4%
Gross Margin	**48.5%**	48.3%	
Operating Profit [2]	**3,652**	3,419	6.8%
Operating Margin	**19.6%**	19.8%	
EBITDA[3]	**4,472**	4,158	7.5%
EBITDA Margin	**24.1%**	24.0%	
Net Income	**2,484**	2,292	8.4%
Total Assets	**17,240**	16,241	6.2%
Cash on Hand	**2,758**	2,562	7.6%
Total Debt	**1,520**	1,589	-4.3%
Stockholders' Equity	**12,516**	11,782	6.2%
Operating Cash Flow [4]	**3,814**	3,345	14.0%
Dividends Paid	**1,635**	1,657	-1.3%
Capital Expenditures	**1,100**	1,239	-11.2%
Data per share [5]			
Net Income	**3.08**	2.84	
Book Value	**15.53**	14.62	
Dividends Paid	**2.03**	2.06	

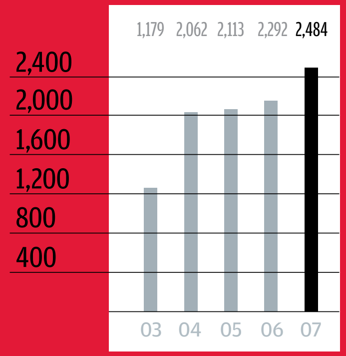
Sales Volume
(million unit cases)



EBITDA*
(in millions of Mexican Pesos)



Net Income
(in millions of Mexican Pesos)



1. Includes soft drinks and purified water in personal formats.
2. Excludes non-recurring expenses for a total of Ps. 20 million in 2006.
3. Operating income plus depreciation and amortization. Excludes non-recurring expenses mentioned in note 2.
4. After working capital needs.
5. Based on 806,019,659 shares outstanding.

* Excludes non-recurring expenses.

2007 WAS ANOTHER YEAR OF OUTSTANDING RESULTS FOR EMBOTELLADORAS ARCA. FOR THE FIFTH CONSECUTIVE YEAR, WE ADVANCED IN ALL AREAS OF THE ORGANIZATION. THIS PROGRESS WAS REFLECTED IN A SIGNIFICANT RISE IN PRODUCTIVITY AND PROFITABILITY INDICATORS, PARTICULARLY THOSE OF CUSTOMER AND CONSUMER SERVICE, THE DRIVER OF OUR DAILY EFFORTS.

Manuel L. Barragan Morales
Chairman of the Board (right)
Francisco Garza Egloff
Chief Executive Officer

TO OUR SHAREHOLDERS

Dear Shareholders:

We are delighted to inform you that in 2007, thanks to the extraordinary work and tenacity of our employees, we posted extremely satisfactory results for the entire organization. Our people have made product innovation, process efficiency and excellence in quality and service to our clients and consumers the fundamental pillars of Arca's continuous development and the company's creation of value for our shareholders.

Each year since its inception, the company has consistently strengthened its position in the markets it serves, while establishing a solid platform for capitalizing on growth opportunities in the beverage industry, as well as developing high-potential related businesses.

The launch of new products and packaging, together with the refinement of our point-of-sale execution and our ability to continue enhancing efficiency and productivity across all operations, allowed us to post record sales of 18,586 million pesos, 7.4% above the previous year, and a sales volume of 480 million unit cases in 2007.

Operating income has grown steadily over the past four years and in 2007 increased 6.8% to a record 3,652 million pesos, representing a margin of 19.6% and positioning Arca as one of the bottling companies with the highest profitability indices in the industry. Net income rose 8.4% year-over-year, reaching 3.08 pesos on a per-share basis.

Due to the improved operating results, greater discipline in the use of working capital, and the sale of non-strategic assets, the Return on Invested Capital[1] before taxes reached 28.5% in 2007, which was above the 27% registered in 2006. The net operating cash flow increased by 14% in 2007 to 3,814 million pesos. Additionally 1,635 million pesos were distributed to shareholders in the form of cash dividends.

The progress we made in 2007 reflects our commitment to continuously improve our customer and consumer service, expand the opportunities to create value in our business and establish strategic initiatives that will keep the organization constantly moving forward toward a better future.

1.- Before tax operating income / Average operating assets net of non-interest-bearing short-term liabilities

7.4% increase in sales

Continuous product innovation and outstanding execution

In order to maintain our position as the best option in a market where customers and consumers constantly demand a greater number of choices, in 2007 we placed special emphasis on strengthening our differentiated value proposal through a broader product portfolio, an appropriate price structure and more efficient production, logistics and distribution processes.

We worked in conjunction with The Coca-Cola Company to promote brand extensions and innovative presentations. An example of this was the highly successful launch of Coca-Cola Zero, a product that increased our diet segment by 24% during 2007.

Our single-serve purified water segment maintained its double-digit growth and advanced 15% year-over-year, while sales of the jug water presentation grew 7% as a result of some acquisitions and the incursion into additional cities.

In order to further promote this segment, the company recently began selling the jug water presentation of the Ciel brand in the city of Saltillo and will open a new plant in Monterrey during the second quarter of 2008. The new facility will be equipped with leading-edge technology and have the capacity to fill 2,000 jugs per hour.

In order to meet the consumers' growing demand for non-carbonated beverages, we continued to develop this segment by introducing energy drinks, as well as tea in new formats and flavors. Recently we began distributing the prestigious Jugos del Valle product line, a well-known brand within Mexico that will significantly enhance our presence in the emerging beverage market.

Maintaining our focus on perfecting our point-of-sale execution and service, we have implemented strategies to promote profitable, sustained growth by identifying our consumers' specific needs, then responding quickly and effectively via market segmentation and product offerings, packaging and prices that satisfy consumers and clients.

Our strategies for making our services more competitive include the introduction of electronic invoicing (phase one has been completed) and improvements to the hand-held equipment platform using state-of-the-art communication technology. This will offer multiple advantages such as improving distribution and increasing the efficiency of warehouse operations.

In another action designed to enhance our execution, we developed new forms to serve the market, especially with regard to those channels and segments that allow for pre-sale activities via the telephone. The Telventa project, whose medium-term goal is to serve 30,000 customers, will speed up our service, while optimizing pre-sales routes.

World-class operations and technology

The actions focused on enhancements to innovation and IT, and on the development of our personnel continued to produce positive results in terms of productivity per employee and per route. These indices have improved consistently every year and in 2007 rose 4% and 3%, respectively.

The successful development of our organization has been driven by our increasingly efficient, modern and flexible production operations. These are based on the state-of-the-art technology that has formed the cornerstone of the continuous improvement of our administrative, market-service and supply-chain processes.

In keeping with this objective, during 2007 we finished updating our information technology platform to the SAP ERP 6.0 version, making us the first bottling company in the world to use this version. We also completed the first phase of our Business Intelligence System Consolidation, which now allows us to consolidate several databases in a single central platform of the SAP system, enhancing our analysis and decision-making capabilities, as well as our profitability, mainly in the commercial area.

> Each year since its inception, the company has consistently strengthened its position in the markets it serves, while establishing a solid platform for capitalizing on growth opportunities in the beverage industry, as well as developing high-potential related businesses.
>
> -Manuel L. Barragan Morales-

During the year, we improved our supply chain through diverse projects aimed at productivity growth, inventory optimization in the distribution chain, improved quality and reduced waste. All of this was achieved through the implementation of the Total Product Management (TPM) system in all of our territories.

Recently, we initiated the Warehouse Management System (WMS), which will allow us to improve product rotation, in addition to using new logistic management technologies in our distribution network to optimize the resources.

Developing new opportunities for creating value

In order to maximize the competitive advantages resulting from our distribution capacity and the close relationships we have with the more than 200,000 points of sale that we serve on a daily basis, we developed different options for creating value through the integration and enhancement of adjacent businesses that are highly compatible with the soft-drink division.

In this regard, we are pleased to announce that one year after the acquisition of the Bokados snacks business, we are posting a 18% increase in this segment's sales. This positive result encourages us to define new strategies to increase our market share in this, the second-largest consumer market in Mexico after the beverage sector.

To this end, during 2008 we will invest approximately 20 million dollars in the construction of a new plant in northwest Mexico. This facility will position us to expand the coverage of Arca snacks to more than 100,000 points of sale.

In our efforts to get closer to consumers and to drive sales of individual presentations, in 2007 we expanded our already extensive network of refrigerators and vending machines by 30%, to a total of 16,000 soft-drink units and 3,000 for snacks. In addition, we improved performance-per-machine indicators by implementing new ways of monitoring them with new technology.

The export market also represents an important growth opportunity for Arca because of our geographic location and the knowledge of the Hispanic market in the United States, and the reach of our distribution chain in that country. For these reasons, we have added more products to our export product portfolio, including snacks and sauces. In addition, we have grown the exports of sugar-cane-sweetened soft drinks (in glass bottles), through Coca-Cola Enterprises and Coca-Cola North America, which totaled 3 million unit cases in 2007, an increase of 50% year-over-year. We expect to double this figure in 2008, as well as extend our offerings by adding new formats and flavored soft drinks, such as Fanta and Sprite.

Commitment to our personnel, the community and the environment

Our commitment to make Arca an organization that grows continuously in all areas extends to the development of our people and the communities where we operate. We are also committed to protecting the environment and to operating in a manner than ensures transparency, preservation of our values and strict compliance with the best practices in corporate governance.

In 2007, we made progress with our corporate programs to develop our human capital. The initiatives we implemented include the beginning of an e-learning project, which seeks to use state-of-the-art technology to expand the method and scope of our training programs.

The progress we made in 2007 reflects our commitment to continuously improve our customer and consumer service, expand the opportunities to create value in our business and establish strategic initiatives that will keep the organization constantly moving forward toward a better future for our clients, shareholders and employees.

-Francisco Garza Egloff-

During the year, the participation of our employees in community support programs was outstanding. Through our Annual Volunteer Day (VOLAR), teams of volunteer workers from all Arca territories gave direct support to a large number of schools, as well as to environmental and social assistance groups.

One of the year's most important environmental achievements, in addition to having all of our plants certified as "Clean Industry" plants, was the special acknowledgment of our Guadalupe and Insurgentes plants by the Mexican Federal Agency for Environmental Protection (PROFEPA), which gave them its Environmental Excellency Award, one of Mexico's most important distinctions for corporate management systems in this important area.

The Powerade-Arca Marathon has become one of the nation's most important athletic events. In its second year, it attracted a record number of more than 2,000 participants, consolidating its position as one of most relevant Arca's corporate initiatives to promote community sports as a way to support social assistance institutions.

The efforts by all members of the Arca team to make the principles of social responsibility an integral part of their daily activities were honored for the fifth consecutive year with the Socially Responsible Company Award awarded by the Mexican Philanthropy Center (CEMEFI).

We have made important progress in the areas of growth, human development and profitability, but we have our sights set higher. For this reason, we are strengthening our alliance with The Coca-Cola Company and the Mexican bottlers to develop Jugos del Valle. Furthermore, we have announced recently our international expansion with the signing of an agreement to acquire the Coca-Cola bottler in Argentina's northwestern region, a company that currently sells 80 million unit cases a year to a market of 5 million people.

These agreements represent an important strategic step in our continuous search for new opportunities to grow and create value, not only in Mexico but also throughout Latin America. We appreciate the support and trust we have received from the people of The Coca-Cola Company and reiterate our commitment to continue partnering with them to strengthen the leadership of their products and brands in the region.

We would like to thank our clients and customers for choosing Arca, which has made our development and growth possible, and to acknowledge our suppliers whose support has enabled us to become more competitive and with whom we have formed long-term partnerships.

As always, we would like to recognize the human factor behind our success. The Arca team has been a key element in the continuous transformation of our organization, with its capacity to face challenges, develop competitive advantages and strengthen our leadership position in the market.

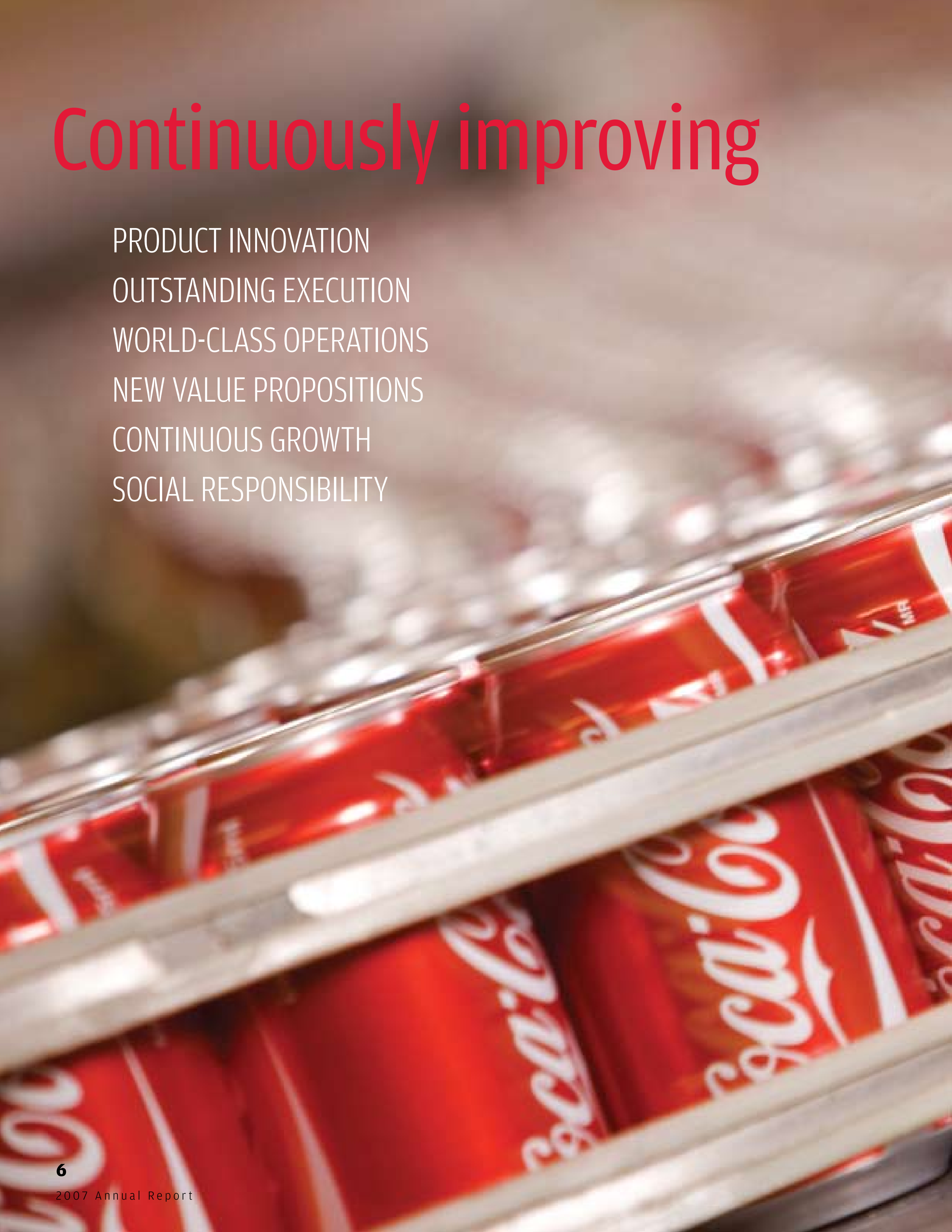
We would also like to especially thank the Board of Directors and our shareholders for their trust and support. They are the ones who drive our efforts to continue surpassing our objectives and to constantly identify new opportunities to generate sustained value.

With the goal of continuously improving and becoming a better, stronger and better-positioned company each day, thus achieving our stated objectives, we promise to redouble our efforts to build the future that we all desire for Arca.

Manuel L. Barragan Morales
Chairman of the Board

Francisco Garza Egloff
Chief Executive Officer

Continuously improving



PRODUCT INNOVATION
OUTSTANDING EXECUTION
WORLD-CLASS OPERATIONS
NEW VALUE PROPOSITIONS
CONTINUOUS GROWTH
SOCIAL RESPONSIBILITY

PRODUCT INNOVATION

WHAT DRIVES OUR DAILY ACTIVITIES IS OUR AIM TO PRESERVE CLOSE TIES TO OUR CUSTOMERS AND CONSUMERS, OFFERING THEM MOMENTS OF REFRESHMENT AND PROVIDING THEM WITH AN EXTENSIVE PRODUCT PORTFOLIO THAT MEETS THEIR EXPECTATIONS AND STRENGTHENS THEIR PREFERENCE FOR OUR BRANDS.

To succeed in a beverage market characterized by increasingly selective consumers who demand a greater product supply, we must identify their needs quickly and offer a range of appealing products that are accessible to everyone.

In 2007 we were able to anticipate customer preferences, respond rapidly and adapt to their demands. We maintained our leadership position by boosting the Coca-Cola brand through expanded distribution and new presentations aimed principally at meeting the needs of specific niches, and by reducing price differentials in several segments, among other initiatives.

We implemented strategies to promote sales in the flavor segment, where the launch of new products, such as Fresca Lado B, Manzana Lift Mas with apple juice, and the consolidation of the Joya product line were among the year's most notable achievements.

The outstanding 24.4% growth of the diet segment was mainly a result of the wide acceptance of Coca-Cola Zero in all our territories. Our success with this product reflects its pleasing flavor and quality, combined with the precise execution of a broad offering of presentations, such as the mini can, an innovative 600 ml. plastic bottle, the two-liter option and the traditional returnable 12-oz glass bottle.

In our efforts to enrich our offerings in this segment, at the end of 2007 we extended the Coca-Cola Zero line with Manzana Lift, Fanta and Fresca in the 600 ml. non-returnable presentation with positive results. In early 2008, we complemented this product offering by launching Aquarius, a light sparkling water with a twist of Fanta, Sprite or Manzana Lift.

We continued with our initiatives to promote individual presentations as a better way of creating value, posting an outstanding 14.6% growth rate for sales of purified water in the single-serve format. This result reflects the product's expansion to new territories, promotions and innovative displays.

The new category segment, which includes energy drinks, juices, functional beverages and tea, maintained solid double-digit growth in 2007. Sales were increased by 15.6% through new launches that included Minute Maid juices in a range of presentations, Powerade Light and Nestea, all of which performed very well.

To capitalize on our deep point-of-sales knowledge and extensive distribution network in the emerging beverage market, during the first quarter of 2008 we began distributing Jugos del Valle juices, a highly prestigious Mexican brand. We have developed a network of specialized personnel to market this product in the majority of our retail outlets, which will ensure we optimize its distribution and improve its positioning in all our territories.

24.4%

growth of the diet segment

OUTSTANDING EXECUTION

OUR VALUE PROPOSAL IS BASED ON THE CONSTANT DEVELOPMENT OF CREATIVE SOLUTIONS TO ENSURE WE MEET THE NEEDS OF OUR CUSTOMERS AND CONSUMERS. EVERY DAY, WE STRENGTHEN OUR CLOSE TIES TO THOUSANDS OF CUSTOMERS BY OFFERING THEM WORLD-CLASS SERVICE, SUPPORTED BY A PROFESSIONAL SALES FORCE AND STATE-OF-THE-ART TECHNOLOGY THAT ALLOWS US TO ADAPT RAPIDLY TO CHANGES IN MARKET TRENDS.

Our capacity to establish an extensive and differentiated market segmentation in accordance with the needs of each channel, socioeconomic level, customer profile or beverage occasion, is reflected in closer ties to our customers and consumers, an increase in territory coverage and, above all, our growing skill at managing many formats and presentations, which lets us respond effectively to the changing market needs.

As part of the strategy to continuously improve our execution, we implemented a new tool called Arca Execution Index. This has allowed us to consolidate the performance indicators obtained by the market auditors through the Photo of Success Project. These indicators identify which products and presentations should be given priority at a particular point of sale.

Also in 2007 we initiated improvements to our hand-held equipment. We equipped these devices with the latest communications technology available to fine-tune our delivery service and increase the efficiency of our distribution network.

We incorporated leading-edge technologies as well to standardize a new operating model throughout all our territories. In the medium term, the objective of the new model is to significantly increase the numbers served by the telephone pre-sales Telventa system to over 15% of all customers. This will optimize pre-sales, considerably reduce marketing expenses and improve the level of service since we will be able to offer these customers more flexibility and sales options.

Among the actions we took to perfect our market service was the implementation of the Traceability Project in our Topo Chico business. This project will allow us to improve our quality standards and to optimize inventory and rotation controls, thus ensuring product freshness and enabling us to meet the new FDA standards for products exported to the United States.

To reinforce our relationships with our modern trade, during the year we launched an e-collaboration initiative implementing the latest technology. We expect it to produce significant advantages in the planning of production and promotional efforts, and the reduction of inventory losses. It should also expedite point-of-sale delivery, facilitate catalogue automation and improve product identification.

We also implemented Compass's Standardized Business System to improve our market intelligence and business strategies. An electronic invoicing system was introduced in this market as well to reduce purchasing process times and significantly improve order scheduling.

To reinforce our relationships with our modern trade, during the year we launched an e-collaboration initiative implementing the latest technology.

WORLD-CLASS OPERATIONS

TO SUPPORT OUR BUSINESS STRATEGIES AND STREAMLINE OUR OPERATIONS, THEREBY IMPROVING OUR CONTROL AND DECISION-MAKING PROCESSES, WE CONTINUE TO DEVELOP A MODERN AND FLEXIBLE INFRASTRUCTURE IN KEEPING WITH MARKET DYNAMICS AND BACKED BY LATEST-GENERATION TECHNOLOGY. ALL OF THIS HAS LED TO AN INCREASE IN PRODUCTIVITY AND AN IMPROVED RESPONSIVENESS TO CUSTOMERS' NEEDS.

In order to strengthen our installed capacity, in 2007 we undertook important production modernization projects. For example, in the city of Hermosillo, Sonora, we inaugurated a new production line, which represents an almost 16 million dollar investment in state-of-the-art technology. Equipped with the latest systems, the line can produce 35 million unit cases. Its flexibility enables it to fill a wide range of bottles, from the 600 ml. non-returnable to the three-liter non-returnable.

We also expanded the Piedras Negras plant in Coahuila, increasing its capacity by 60%.

The development of our technological platform progressed steadily during the year, with the integration of the latest systems available in our industry, such as the migration to SAP ERP 6.0. This tool has honed our monitoring and control of productivity – per employee, route and distribution center – and now provides quality and service indicators.

99.76%
in level service

Having a stronger technological capacity positions us to progress more rapidly with our key initiatives, such as the Warehouse Management System (WMS), Collaborative Customer Relationship Model (CCRM) and Direct Store Delivery (DSD), as well as Business Intelligence System Standardization, the first phase of which was implemented in 2007. This system will be used to develop a new, practical, fast, and easily accessible data warehouse integrating the different organizational areas. We will be able to apply key performance indicators to facilitate planning and provide a more efficient follow-up of profitability per product, customer and channel.

To improve our supply chain, we continued to capitalize on our information systems to ensure optimal synchronization between the different components of the production chain. We now use systematized indicators to monitor the planning and execution of each process, which has resulted in improved service and more efficient inventory management.

The level of service improved from 99.63% in 2006 to 99.76% in 2007, which generated an additional sales volume of almost half a million cases. At the same time, investment in working capital per unit case sold dropped 20%, and all requirements were met for the launch of over 50 new products.

Other actions for achieving world-class operations included the initiation of a process for standardizing operating procedures at our general, raw material and finished product warehouses. Moreover, we improved primary transportation productivity by 4.7% through more efficient operating systems, such as “drop & hook” systems, at several of our distribution centers.

NEW VALUE PROPOSITIONS

WE ARE COMMITTED TO A CONSTANT SEARCH FOR NEW OPPORTUNITIES TO CREATE VALUE THAT REAFFIRM OUR CORE BUSINESS'S MARKET LEADERSHIP AND ALLOW US TO CAPITALIZE ON OUR CLOSE TIES WITH OUR CUSTOMERS AND CONSUMERS IN AREAS THAT ARE COMPATIBLE WITH THE BEVERAGE SECTOR.

In 2007, a year after we acquired the Bokados snack company, it posted excellent results, surpassing the original projections by growing 18%. Access to new points of sale, including an extensive network of company-owned snack vending machines; new products and presentations; cross-promotions; and burgeoning exports to the Hispanic market in the United States, all contributed to the positive results.

In light of the snack sector's significant potential, in 2008 we will continue our territorial expansion of Bokados and our launching of innovative snack products. As part of this plan, we will spend approximately 20 million dollars to construct a state-of-the-art plant in northwest Mexico, due to come on-line by the end of 2008. The facility will allow us to increase our coverage to almost 100,000 points of sale.

This opportunity builds on our strength in the soft-drink vending machine sector, which grew 15% in 2007. The number of our installed units has risen sharply over the past five years, from 6,000 in 2002 to 16,000 in 2007, making us the leading company in this segment. In a similar way, the number of snack vending machines we operate has grown to over 3,000 units. This translates into over a million visual impacts for our snack brand each month. We are rapidly penetrating new territories such as the Pacific coast.

Given the success of our vending machine network, we are developing new strategies to improve their management. Standardizing the hand-held devices used in their control will in turn standardize operational practices and performance indicators. We have also begun pilot tests of wireless technology used to send each machine's resupply requirements directly to the plant.

Another value proposition is the jug water business, which grew 7% in 2007. Specific strategies to drive bottled water sales include the highly successful launch of the Ciel brand in Saltillo, Coahuila, and the construction of a new plant in Monterrey, which will begin operating in the second quarter of 2008. This high-tech facility will have a filling capacity of 2,000 jugs per hour, thus meeting the Coca-Cola Company's global standards. We are searching for synergies with our distribution of carbonated beverages, leveraging those traditional channels and home delivery routes to drive our jug water sales.

In export markets, we have continued to expand the placement of Topo Chico products, focusing mainly on the western United States, particularly Los Angeles and northern California, where we are pursuing sales and direct negotiations with supermarket and convenience store chains. The outcome has been the positive positioning of our mineral water in the United States. As part of our diversification strategy in this market, we have also continued to consolidate the presence of our new products such as Bokados snacks, which are very popular among the Hispanic community in the United States.

Our Nostalgia Project, which consists of exporting Mexican Coca-Cola sweetened with cane sugar for the Hispanic market in the United States through Coca-Cola Enterprises and Coca-Cola North America, showed very favorable results in 2007, with sales volume rising almost 50%. We have set up production lines in Monterrey and Mexicali specifically dedicated to Coca-Cola in 355 ml. and 500 ml. glass bottles, as well as Sprite and Fanta. Our objective is to export 6 million unit cases in 2008.

In another compatible snack venture, in 2007 we finalized the purchase of the assets, brands and formulas of the company that produces Mazapan Azteca (a sweet peanut-based snack) as well as other products. After integrating this new offering into our Bokados operating and distribution schemes, we will be positioned to penetrate the candy market.

CONTINUOUS GROWTH

SINCE OUR FOUNDATION, WE HAVE BEEN A RESULTS-ORIENTED COMPANY. YEAR AFTER YEAR, WE HAVE TRANSLATED OUR EXCELLENT PERFORMANCE INTO INCREASED PRODUCTIVITY AND PROFITABILITY, WHICH HAS MADE US AN ATTRACTIVE VALUE-CREATING ALTERNATIVE FOR STOCKHOLDERS.

With our strong product portfolio and extensive distribution network, supported by a professional team and state-of-the-art technology, we now command a solid leadership position in the market. We offer world-class service to our customers, and greater profitability and value creation to our stockholders.

Being able to rely on a more professional organization with increasingly efficient operating processes has made us more competitive. The positive trend in our production indicators per employee continues. In 2007, the reported 29,700 unit cases per employee represented an impressive 40% increase over the 21,200 unit cases posted in 2002.

Operating expenses measured as a percent of sales have also dropped steadily, from 35.7% in 2002 to 28.9% in 2007, one of the lowest figures among bottling companies worldwide.

Additionally, over the past few years, our sales volume has grown, from 410 million unit cases in 2002 to 480 million in 2007, while net sales have increased from 16,044 million pesos in 2002 to 18,586 million in 2007. Operating income rose from 2,991 million pesos to 3,652 million over the same period.

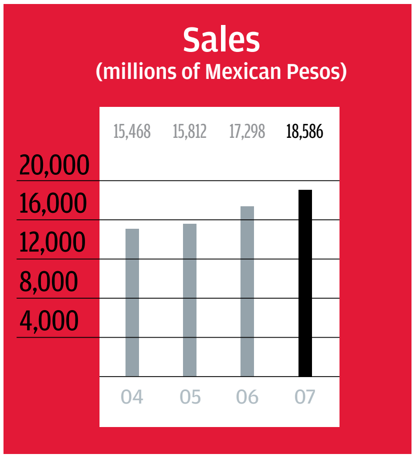
We have a financially solid organization, receiving a MxAAA rating from both Standard & Poor's and Fitch, the highest on the national scale. This gives us the flexibility to finance future acquisitions, both the consolidation of other bottling companies in Latin America and businesses that are highly compatible with the beverage segment.

In addition, this solid financial foundation allowed us to give our stockholders dividends of 2 pesos per share in 2007, totaling 1,635 million pesos. Since 2002, we have distributed almost 685 million dollars in dividends, which represents one of the highest yields among companies that trade on the Mexican Stock Exchange.

To reinforce our competitive advantages with the most up-to-date technology and the most efficient operating systems, as well as to maintain an installed capacity that matches market trends, over the past six years we have invested nearly 5,200 million pesos in fixed assets. This year, we are planning to make capital expenditures of 150 million dollars, approximately half of which will be allocated to transportation equipment, maintenance and normal operating replacements. We are also contemplating expanding and modernizing some of our plants, as well as investing in our new jug facility in Monterrey.

Investments will also be made in our information systems, Telventa, hand-held equipment, vending machines and the construction of a new Bokados plant in northwest Mexico.

In 2008, we will continue to focus on improving operations and market execution within a framework of financial strength. As we progress toward our goal of becoming the leading company in sustainable growth and profitability in the Latin American beverage industry.



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SOCIAL RESPONSIBILITY

WE ARE COMMITTED TO CONSOLIDATING OUR SOCIAL RESPONSIBILITY INITIATIVES THROUGH AN INSTITUTIONAL PROGRAM THAT WILL GUARANTEE LONG-TERM SUSTAINABILITY. THE OBJECTIVE IS FOR ALL OUR OPERATIONS AND COMMUNITY INTERACTIONS TO HAVE A POSITIVE IMPACT ON THE DEVELOPMENT OF OUR SOCIETY.

In 2007 we strengthened our Integral Quality System, the CIMA Project, and also improved our institutional programs. Initiatives during the year targeted training tools and organizational development, and included the implementation of an on-line e-learning platform. We also developed new administrative participation teams, EQAP's, which grew from 915 in 2006 to 1,141 in 2007.

Our human capital development programs have as their objectives the creation of more efficient work systems, intra-organizational collaboration and a closer alignment of our operating processes with the market's changing needs. We are also committed to creating healthier spaces for our workers. In 2007 we integrated the Mazatlan and Juarez plants into the Tobacco-Free Company certification scheme operated by the Mexican Federal Ministry of Health.

The participation of Arca's personnel in volunteer efforts to improve social welfare has increased every year and demonstrates our resolve to make social responsibility an integral part of our company's organizational culture.

In 2007, almost 900 members of the Arca team, their families and the community took part in our Second Annual Volunteer Day. Efforts focused on refurbishing more than 20 schools, improving their infrastructure, cleaning their buildings and reforesting their grounds. The project, which had a positive impact on over 8,000 people, also established closer ties with local communities.

During the year, the Arca Volunteer Program committees completed more than 70 projects and collected donations that directly benefited more than 18,000 people. Our support for flood victims in the state of Tabasco was particularly noteworthy in 2007. The company sent more than five company trucks with donated bottles of purified water to the affected areas.

Continuing to meet environmental standards, the company made efficient use of natural resources, operated processes with an eye to conservation and invested in important environmental protection projects. In 2007, our Guadalupe and Insurgentes plants received the Environmental Excellence Award, the highest distinction granted by the Mexican Federal Department of the Environment (PROFEPA) for Environmental Management Systems.

In addition, 11 of Arca's 13 plants maintained their Clean Industry certification, and the other two are in the process of completing their action plans to obtain this distinction. In 2007, all the company's plants fully complied with Coca-Cola's Quality System as part of their environmental protection initiatives.

Furthermore, all our plants now have a Water Saving Committee that meets periodically to monitor and take actions to improve the water usage rate in our processes. Improvements come through the efficient operation of our waste-water treatment plants and Source Vulnerability Assessments, which expose any vulnerability in our water supplies.

To reaffirm our social commitment to encouraging a healthy diet and exercise, for the second consecutive year we organized the Arca Powerade Marathon. With a record participation of over 2,000 national and international runners, this has become one of Mexico's most important races, the proceeds of which support a number of different charities.

In joining the Coca-Cola de Mexico Bottling Company System, we signed an agreement with the National Commission for Physical Culture and Sports to promote physical activity in more than 4,000 state-run primary schools nationwide, which will benefit approximately 1.5 million children. This alliance forms part of the Well-being Movement, which seeks to undertake specific actions that improve people's quality of life, to provide nutritional guidebooks and to train physical education teachers in sports promotion.

Thanks to this constant positive evolution in our programs targeted to benefit our personnel, their communities and the environment, for the fifth consecutive year, the Mexican Philanthropy Center recognized Arca as a Socially Responsible Company, one of the most important awards in Mexico for corporate citizenship. Details of the programs, actions and results of our company's public commitment to the community can be found in our Social Responsibility Report.

SENIOR MANAGEMENT

Seated (from left to right): Arturo Gutierrez Hernandez, Francisco Garza Egloff, Adrian Wong Boren.
Standing (from left to right): Jose Luis Gonzalez Garcia, Manuel Gutierrez Espinoza, Leonel Cruz Martinez, Emilio Marcos Charur, Pablo Macouzet Brito.

Francisco Garza Egloff (53) Chief Executive Officer since January 2003. During the previous 26 years, he held various positions at Alfa including Chief Executive Officer of Sigma Alimentos, S.A. de C.V., Akra, Petrocel-Temex and Polioles. Mr. Garza has a degree in Chemical Engineering from ITESM and has taken several post-graduate courses at IPADE.

Leonel Cruz Martinez (55) Chief Operating Officer since 2003. Mr. Cruz joined Argos in 1988. He was initially named General Manager of Argos' bottling plants in Obregon and later in Mexicali. In 1998 he was named Chief Operating Officer of Argos, and held this position until the merger of Argos, Procor and Arma into Arca. Mr. Cruz has a Bachelor's Degree in Business Administration and a Master's in Agricultural Economics from the Colegio de Postgraduados.

Jose Luis Gonzalez Garcia (56) Chief Marketing Officer of the Company since 1991 and has held various other positions since 1987, including marketing manager of Bebidas Mundiales. Previously he was Vice Director of Operations at TCCEC. Mr. Gonzalez has a degree in Economics from the Universidad Autonoma de Nuevo Leon and post graduate studies from IPADE.

Manuel Gutierrez Espinoza (55), named Arca's Director of Planning in 2008. Among his responsibilities are the areas of Strategic Planning, Information Technology, Procurement, Construction Projects and Project Management. He has a degree in Mechanical Engineering from Tecnologico de Monterrey, an MBA from MIT and over 30 years of experience at industrial companies in the areas of planning, control, information, procurement, acquisitions and divestitures, strategic alliance development and expansion projects.

Arturo Gutierrez Hernandez (42) Director of Human Resources and Corporate Planning and Secretary of Arca's Board of Directors since 2001. Before joining the Company, he worked for Alfa Corporativo and was Secretary of the Boards of Directors of several Alfa companies. Mr. Gutierrez has a law degree from the Escuela Libre de Derecho and a Masters of Laws from Harvard University.

Pablo Macouzet Brito (54) Chief Technology Officer since 2004. He worked for Coca-Cola de Mexico, Coca-Cola FEMSA and the retail chain Aurrera before joining Arca. He became Chief Technology Officer of Grupo Argos, and held this position until the merger of Arca. Mr. Macouzet holds a degree in Industrial Engineering from Universidad Iberoamericana, and a Master's degree in Planning and Systems from Universidad La Salle.

Adrian Wong Boren (57) Chief Financial and Administrative Officer since 1994. Prior to that, Mr. Wong was a full-time professor at San Diego State University, ITESM, and part time professor at the University of California and Virginia Tech. Mr. Wong holds an Accounting degree from Universidad de Coahuila, an MBA from ITESM, and a Ph.D. from Virginia Tech.

Emilio Marcos Charur (43) Arca's Director of Other Businesses since January 1, 2007 which includes Topo Chico, Interex (exports), Vending Machine, Bokados, Industrial de Plásticos Arma (IPASA) and Jug Water operations. Prior to this, he was Arca's Treasury and Procurement Manager. He has an industrial engineering degree from ITESM and an MBA from the University of Illinois.

BOARD OF DIRECTORS

Manuel L. Barragan Morales (57)1,C Chairman of the Board of Directors since 2005. Member of the Board since 2001. Chairman of the Board of Index. Former Board Member of Procor, Banco Regional de Monterrey and Papas y Fritos Monterrey. He was also an executive member at a major financial institution for 15 years.

Javier L. Barragan Villarreal (83) Honorary Chairman and Member of the Movimiento de Promocion Rural.

Jose Joaquin Arizpe y de la Maza (87)1,P Vice Chairman of the Board of Directors of Arca since 2007. Member of the Board of Directors of Arca since 2001. Member of the Board and Vice President of Compañia Hotelera del Norte, Fabricas el Carmen, Inversiones del Norte and Inmobiliaria Birarma. Regional Board Member of BBVA Bancomer, HSBC and Consulting Board Member of Telefonos de Mexico.

Tomas A. Fernandez Garcia (36)1,P Vice Chairman of the Board of Directors of Arca since 2007. Member of the Board of Directors of Arca since 2005. He is President and CEO of Original Video North America.

Jorge Humberto Santos Reyna (33)1,P Vice Chairman of the Board of Directors of Arca since 2007. Member of the Board of Directors of Arca since 2001. Chief Executive Officer of San Barr. Member of the Board of Directors of Banregio, Asociacion de Engordadores de Ganado Bovino del Noreste, Grupo San Barr, Grupo Index and President of the Board of USEM-Monterrey. Former Member of the Board of Procor, CAINTRA and Papas y Fritos Monterrey.

Guillermo Alvelais Fernandez (62)1,P Member of the Board of Directors of Arca since 2001. He was formerly a Member of the Board of Directors of Argos, an alternate Member of Grupo Financiero Sofimex as well as the Director of the Fundacion Rosario Campos de Fernandez. Currently, he is a Member of the Board of Directors of Sistema Axis.

Emilio Antonio Arizpe y de la Maza (90)1,P Chairman of the Board of Directors of Fabricas El Carmen, Compañia Hotelera del Norte, Hielo de Saltillo, Inversiones del Norte and Inmobiliaria Birarma. Chairman of the Regional Board of HSBC, Saltillo. Member of the Regional Board of HSBC, Monterrey and Chairman of the Board of Trustees of the Universidad Autonoma del Noreste. Former Chairman of the Board of Directors of Empresas El Carmen and Industrial de Plasticos Arma. Honorary Chairman of the Red Cross of Saltillo.

Jose Manuel Arizpe Jimenez (53) 1,C Member of the Board of Directors of Arca since 2007.

Alfonso J. Barragan Treviño (50)1,C Member of the Board of Directors of Arca since 2002. Chairman of the Board of Directors of Eon Corporation and Eon Mexico, Movimiento de Promocion Rural and Mcliff Corporation. Former Member of the Board of Procor and Secretary of the Board of Directors of Eon Corporation and Eon Mexico.

Eduardo J. Barragan Villarreal (72)1 Member of the Board of Directors of Arca since 2001. Member of the Board of Promocion Rural. Chairman of the Board of Centro Convex, Trustees of Pro-Cultura de Monterrey, Fideicomiso de Vida Silvestre de Nuevo Leon and Impulsora de Eventos Culturales. Former Board Member, Chief Technology Officer of Procor and Plant Manager at Bebidas Mundiales.

Fernando Barragan Villarreal (77)1,P Member of the Board of Directors of Arca since 2001. Member of the Board of Directors of Grupo Index and Member of the Civic Council of Parque Ecologico Chipinque. Former Board Member of Estructuras de Acero, Financiera General de Monterrey, Proyeccion Corporativa and Banregio. Former Chief Executive Officer of Proyeccion Corporativa. He has held several positions at Bebidas Mundiales, including that of Manager of Production, Maintenance and Quality Control.and Managing Director.

Alejandro M. Elizondo Barragan (54)1,P Member of the Board of Directors since 2004. Mr. Elizondo Barragan is also the Chief Financial Officer of Alfa. He has held various positions in the corporate and steel areas during his 32-year career at Alfa. He is a member of the Board of Banco Regional de Monterrey, Nemak, Indelpro, Polioles and Alestra.

Ulrich Fiehn Buckenhofer (62)2,A Member of the Board of Directors of Arca and Banco Nacional de Mexico since 2002. Former Chairman of the Board of Grupo Proagro. Member of the Board of Grupo Financiero Banamex Accival, Acciones y Valores de Mexico, Bolsa Mexicana de Valores, Indeval, Asociacion Mexicana de Intermediarios Bursatiles, Seguros Banamex Aegon, Grupo Industrial Durango, John Deere, Banco Mercantil del Norte and Internacional de Ceramica. Former Chief Executive Officer of Acciones y Valores de Mexico, Corporate Treasurer of Grupo Industrial Saltillo and Advisor to the Presidency and Member of the Executive Committee of Banco Nacional de Mexico.

Enrique Garcia Gamboa (52)2 Member of the Board of Directors of Arca since 2005. Chief Executive Officer of Industrias Alen. He has held several positions at Industrias Alen, including that of Production Manager and Chief Financial Officer. Regional Member of the Board of Banamex. Formerly Member of the Board of Directors of Berel, Corporacion Automotriz Regional (CAR), UDEM, PYOSA y CAINTRA.

Rafael Garza-Castillon Vallina (51)1,P Member of the Board of Directors of Arca since 2001. Chairman of the Board and Chief Executive Officer of Distribuidores Generales, Comercializadora de Arrendamientos and Cantera Motors. Member of the Board of Directors of Fomento Urbano de Chihuahua, Comercial del Noroeste, Impulsora de Bienes Raices and Grupo Novamex. Former Administrative Director of Embotelladora de la Frontera and Refrigeradora de Parral, as well as Director of Hieleria Juarez. Former Member of the Board of Sistemas Argos and Sistema Axis.

Roberto Garza Velazquez (51)1,P Member of the Board of Directors of Arca since 2001. Chief Executive Officer of Industria Carrocera San Roberto and a Partner and Board Member of Corporacion Mexicana de Capillas as well as Promotora Octagonal del Norte S.A. de C.V. He is also on the Boards of Grupo Index and Banca Afirme.

Luis Lauro Gonzalez Barragan (54)1,P Chairman of the Board of Grupo Logistico Intermodal Portuaria. Member of the Board of Index, Berel and Universidad de Monterrey. Former Board Member of Procor.

Ernesto Lopez de Nigris (47)2,C Member of the Board of Directors of Arca since 2001. Co-chairman of the Board of Directors of Grupo Industrial Saltillo where he was formerly Vice President of Operations. Member of the Board of Consejo Mexicano de Hombres de Negocios and Member of the Board of Telefonos de Mexico.

Fernando Olvera Escalona (75)2,A Member of the Board of Directors of Arca since 2001 and Chairman of the Audit Committee since 2002 and Chairman of the Corporate Practices Committee since November 2006. CEO of Grupo Protexa and President of Promocapital. Former Chairman of the Board of Farmacias Benavides, Member of the Board of the State National Bank of El Paso and several Mexican banks, as well as Member of the Board of Union Carbide Mexicana, Petrocel and John Deere de Mexico, among others.

Manuel G. Rivero Santos (56)2,A Member of the Board of Directors of Arca since 2005. Chairman of the Board of Banco Regional de Monterrey, S.A. Member of the Board and Chief Executive Officer of Banregio Grupo Financiero, S.A. de C.V. Vice President of the Mexican Banking Association from 1997–2000.

Jesus Viejo Gonzalez (34)1 Member of Arca's Board of Directors since 2007. Vice-President of the Board of Directors for Centro Convex. Director of Economic Studies of Alfa. Former Vice-President of Economic Research for Emerging Markets in Goldman Sachs, New York. He holds an Economics Degree from ITESM, a Masters in Public Policy from Harvard University and a Ph. D. in Economics from Boston University.

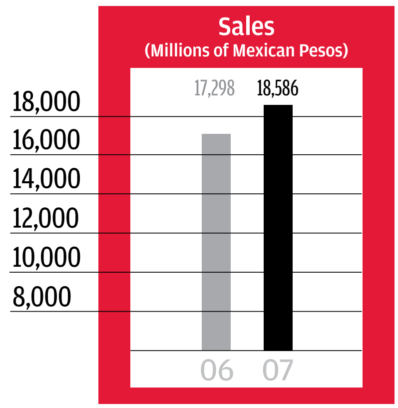
Marcela Villareal Fernandez (60)1,C Member of the Board of Directors of Arca since 2001. Member of the Board of Axis, Fundacion Mascareñas and Fundacion Rosario Campos. Member of the Board of Directors of Argos from 1998 to 2001. Former President of El Paso Museum of Arts.

Arturo Gutierrez Hernandez (42) Secretary of the Board of Arca since 2001 and Director of Human Resources and Corporate Planning. Former Secretary of the Board of Directors at several Alfa companies.

FINANCIAL REVIEW CONTENTS

SALES

In 2007 net sales increased 7.4% in real terms, from Ps. 17,297.7 million in 2006 to Ps. 18,585.8 million, with Bokados representing 49% of this increase. The total sales volume of soft drinks increased 2.6% year-to-year, reaching 480 MCU while the average price per unit case rose 1.2% as a result of selected price adjustments.



COST OF GOODS SOLD

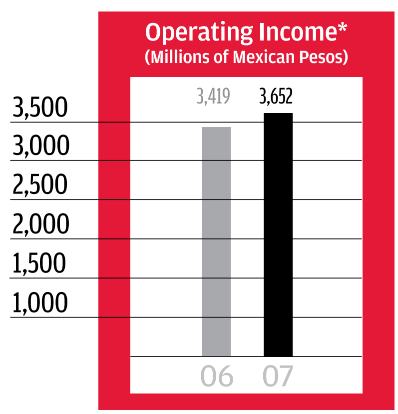
Cost of goods sold increased 6.9% in 2007 compared to 2006, reaching Ps. 9,563.3 million. Of this increase, Bokados represents approximately 51%. The total cost per unit case was Ps. 19.3 in 2007, 0.8% higher than the previous year, caused primarily by an increase in the cost of concentrate and partially offset by a decrease in the average price of sweeteners. The gross margin in 2007 was 48.5%, an increase of 20 basis points when compared to 2006.

OPERATING EXPENSES

During 2007, operating expenses[1] increased 8.9% reaching Ps. 5,370.5 million, with Bokados representing approximately 55% of the increase. In the soft drink business, operating costs as a percentage of sales increased 28.6%, practically unchanged compared to 2006. Selling expenses rose 10.4% from Ps. 3,921.9 million to Ps. 4,328.0 million year-over-year, mainly as a result of the integration of the Bokados sales force and to a lesser extent, due to higher sales volume. Administrative expenses increased 3.2% compared to 2006, rising from Ps. 1,010.1 million to Ps. 1,042.5 million in 2007, also derived from the purchase of Bokados.

OPERATING INCOME AND EBITDA

Operating income[1] rose 6.8%, from Ps. 3,419.2 million in 2006 to Ps. 3,652.1 million in 2007 with an operating margin of 19.8% and 19.6%, respectively. EBITDA[1] increased 7.5% from Ps. 4,158.3 million in 2006 to Ps. 4,471.8 million in 2007, with a margin of 24.1%.



*Excludes non-recurring expenses

INTEGRAL FINANCING RESULT

In 2007, the integral cost of financing reached Ps. 28.2 million, compared to an integral financial result of Ps. 15.8 million registered in 2006. The difference was due mainly to a decrease in the financial income line which resulted from a lower average cash balance.

1 Excludes non-recurring expenses

OTHER EXPENSES

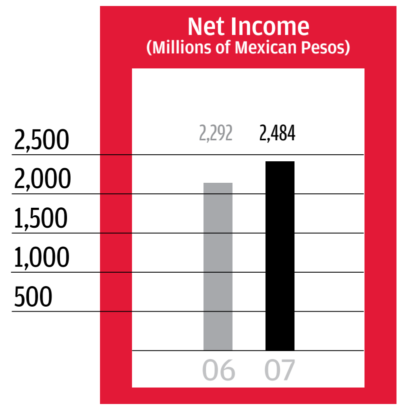
In 2007, we reported Ps. 110.7 million in other income, compared to Ps. 47.8 million reported in 2006, derived from the income generated from the sale of non-strategic assets. Aditionally, the employee profit sharing rose from Ps. 198.0 million in 2006 to Ps. 218.5 million in 2007.

PROVISION FOR INCOME TAXES

The effective rate for the provision for income tax and employees' profit sharing was 33.9% in 2007, compared to 33.6% in 2006. Current income taxes increased from Ps. 799.5 million in 2006 to Ps. 916.3 million in 2007.

NET INCOME

Net income for 2007 was Ps. 2,484.5 million, or Ps. 3.08 per share, which is 8.4% higher than the Ps. 2,292.4 million reported in 2006.



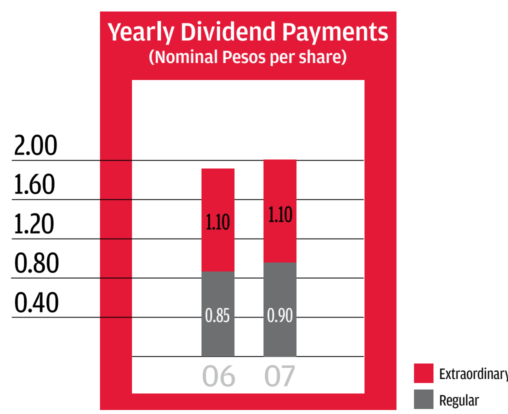
CASH BALANCE AND OPERATING CASH FLOW

As of December 31, 2007, Arca had a cash balance of Ps. 2,757.6 million and a debt of Ps. 1,520.5 million resulting in net cash position of Ps. 1,237.1 million. Funds provided by operating activities increased 14.0% in 2007 to Ps. 3,813.8 million, mainly due to improved results in operations as well as a sound management of working capital and the monetization of non-strategic assets.

Cash was mainly used as follows: Ps. 1,635.4 million in dividend payments, Ps. 1,840.5 million for investments in fixed assets and acquisitions and Ps. 68.6 million for reducing bank debt.

INVESTMENTS

The investment in buildings, machinery and equipment, net, reached Ps. 1,100.5 million and was mainly allocated towards the increase in NR production capacity in the Pacific zone, the construction of buildings for the installation of equipment for injection and blowing, a water treatment plant, regular maintenance and replacement of plant and equipment, and the installation of coolers and vending machines.



Consolidated Balance Sheets

(In millions of Mexican Pesos in purchasing power as of December 31, 2007)

December 31,	**2007**	2006	2005	2004
Assets				
Current assets:				
Cash and cash equivalents	**2,758**	2,562	2,105	1,991
Accounts receivable	**738**	716	565	496
Other accounts receivable	**251**	233	298	246
Inventories	**996**	965	936	1,043
Prepaid expenses	**54**	67	62	53
Total current assets	**4,797**	4,542	3,966	3,829
Investment in shares	**122**	89	135	120
Property, plant and equipment, net	**9,182**	8,838	8,496	8,371
Goodwill, net	**2,534**	2,269	2,269	2,251
Other long-term accounts receivable	**-**	170	230	322
Other assets	**605**	334	347	169
Total assets	**17,240**	16,241	15,443	15,062
Liabilities and Stockholders' Equity				
Current liabilities:				
Current portion of long-term debt	**1,011**	12	12	13
Suppliers	**979**	683	626	650
Other accounts payable and accrued expenses	**727**	619	535	671
Total current liabilities	**2,718**	1,314	1,173	1,334
Long term debt	**509**	1,577	1,653	1,723
Labor obligations	**87**	234	312	155
Deferred employees profit sharing	**26**	35	-	-
Deferred income tax	**1,384**	1,298	1,163	1,201
Excess of book value on the cost of shares	**-**	-	-	3
Total liabilities	**4,724**	4,459	4,301	4,416
Stockholders' equity:				
Capital stock	**4,698**	4,698	4,698	4,698
Additional paid in capital	**725**	721	678	674
Retained earnings	**9,528**	8,709	8,014	7,506
Deficit from restatement	**(2,435)**	(2,345)	(2,248)	(2,232)
Total stockholders' equity (majority interest)	**12,516**	11,782	11,142	10,646
Minority interest	**-**	-	-	-
Total liabilities and stockholders' equity	**17,240**	16,241	15,443	15,062

Consolidated Statements of Income

(In millions of Mexican Pesos in purchasing power as of December 31, 2007)

December 31,	**2007**	2006	2005	2004
Sales volume (MUC)	**480.2**	468.0	435.6	416.9
Net sales	**18,586**	17,298	15,812	15,468
Cost of sales	**(9,563)**	(8,947)	(8,145)	(7,844)
Gross profit	**9,023**	8,351	7,667	7,624
Selling expenses	**(4,328)**	(3,922)	(3,633)	(3,708)
Administrative expenses	**(1,042)**	(1,010)	(1,047)	(1,186)
Operating income (excludes non-recurring expenses)	**3,652**	3,419	2,987	2,730
Non-recurring expenses[1]	**-**	(20)	(47)	(163)
	3,652	3,399	2,940	2,567
Other (expense) income, net[2]	**(108)**	(150)	(70)	232
Comprehensive financing cost:				
Interest income (expense), net	**2**	52	32	(32)
Exchange gain (loss), net	**11**	2	(37)	(14)
Loss from monetary position	**(41)**	(39)	(16)	(4)
	(28)	16	(21)	(50)
	3,516	3,264	2,849	2,750
Equity in income (loss) of associated companies and minority interest	**15**	(7)	2	6
Income before provision for income tax	**3,531**	3,258	2,851	2,756
Provision for Income tax	**(1,047)**	(965)	(738)	(693)
Consolidated net income	**2,484**	2,292	2,113	2,062
Number of shares (thousands)	**806,020**	806,020	806,020	806,020
Depreciation and Amortization	**820**	739	724	823
EBITDA (excludes non-recurring expenses)	**4,472**	4,158	3,711	3,553
CAPEX	**1,100**	1,239	842	886

To facilitate comparative analysis, some adjustments were made to the Audited Financial Statements: 1) Sale and Administrative expenses that Arca's Management considers non-recurring, are shown separately, and 2) Effective January 1, 2007 the Company adopted the Mexican Financial Reporting Standard B-3 which required the reclassification of employee's profit sharing into the other expense line, to which for comparison purposes, the corresponding reclassification was made for 2006, 2005 and 2004.

Management's Responsibility for Financial Information

Management is responsible for preparing the financial statements and all the financial information contained in this Report.

This responsibility includes maintaining the integrity and objectivity of financial records, as well as preparing the financial statements in accordance with Mexican Financial Reporting Standards (MFRS).

The Company has an internal control structure whose objectives include, among other things, ensuring that Company records incorporate all transactions related to its operating activities, thus providing protection against the inappropriate use or loss of Company assets.

Management believes that the internal control structure complies with said objectives. The control structure is based on the hiring and training of qualified personnel, documented policies and procedures, and a team of internal auditors who apply rigorous auditing programs to all the Company's operations.

The financial statements were audited by PricewaterhouseCoopers, S.C. a firm of independent public accountants. Their audit was carried out in accordance with Generally Accepted Auditing Standards in Mexico (GAAS) and included the Company's internal control structure.

The external auditors' report is included in this Report. The Company's Board of Directors, through an auditing committee made up exclusively of directors who are not employed by the same, is responsible for ensuring that Company Management complies with its obligations in regard to the financial control of operations and the preparation of financial statements.

The Auditing Committee proposes the firm of external auditors to the Board of Directors and meets with Management, the internal auditors and the firm of external auditors on a regular basis.

The Auditing Committee has free access to the internal auditors and the firm of external auditors, with whom it meets continuously to discuss their audit work, internal controls and the preparation of financial statements.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

To the Stockholders of Embotelladoras Arca, S. A. B. de C. V.

Monterrey, N. L., Mexico, March 13, 2008

We have audited the consolidated balance sheets of Embotelladoras Arca, S. A. B. de C. V. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Embotelladoras Arca, S. A. B. de C. V. and subsidiaries as of December 31, 2007 and 2006, and the consolidated results of their operations, the changes in their stockholders' equity and the changes in their financial position for the years then ended, in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers

Carlos Arreola Enriquez
Audit Partner

Consolidated Balance Sheets

At December 31, 2007 and 2006
(Notes 1 and 2) (Thousands of Mexican pesos of December 31, 2007 purchasing power)

		2007		2006
Assets				
Current assets:				
Cash and temporary investments	Ps.	2,757,562	Ps.	2,561,757
Trade accounts receivable (net of allowance for doubtful accounts of Ps.15,535 in 2007 and Ps. 44,945 in 2006)		737,835		715,834
Other accounts receivable (Note 3)		251,059		232,702
Inventories (Note 4)		996,417		964,800
Prepaid expenses		54,332		66,611
Total current assets		4,797,205		4,541,704
Other long-term accounts receivable (Note 3)		-		169,668
Investment in shares (Note 5)		121,622		88,930
Property, plant and equipment, net (Note 6)		9,181,655		8,838,138
Goodwill, net (Note 7)		2,534,253		2,269,225
Other assets (Note 8)		605,200		333,621
Total assets	Ps.	17,239,935	Ps.	16,241,286
Liabilities and Stockholders' Equity				
Current liabilities:				
Suppliers	Ps.	979,267	Ps.	683,398
Current portion of long-term debt (Note 9)		1,011,340		11,601
Other accounts payable and accrued expenses		435,619		411,802
Employees' profit sharing payable (Note 13)		220,262		202,392
Income tax payable (Note 14)		71,180		4,905
Total current liabilities		2,717,668		1,314,098
Long-term debt (Note 9)		509,125		1,577,428
Labor obligations (Note 10)		86,516		233,577
Deferred employees' profit sharing (Note 13)		26,177		35,266
Deferred income tax (Note 14)		1,384,048		1,298,442
Total liabilities		4,723,534		4,458,811
Stockholders' equity (Note 12):				
Contributed capital stock		4,697,989		4,697,989
Additional paid-in capital		725,286		720,867
Retained earnings		9,533,130		8,722,892
Cumulative translation adjustment of foreign subsidiary		5,133		5,250
Charge to stockholders' equity for labor obligations (Note 10)		(10,760)		(19,354)
Deficit from restatement		(2,434,525)		(2,345,329)
Total majority interest		12,516,253		11,782,315
Minority interest		148		160
Total stockholders' equity		12,516,401		11,782,475
Contingencies and commitments (Note 11)		-		-
Subsequent events (Note 21)		-		-
Total liabilities and stockholders' equity	Ps.	17,239,935	Ps.	16,241,286

The accompanying twenty-one notes are an integral part of these consolidated financial statements, which were authorized for issuance on March 13, 2008 by the undersigned officers.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

Consolidated Statements of Income

For the years ended December 31, 2007 and 2006

(Notes 1 and 2) (Thousands of Mexican pesos of December 31, 2007 purchasing power)

		2007		2006
Net sales	Ps.	18,585,803	Ps.	17,297,650
Cost of sales		(9,563,277)		(8,948,713)
Gross margin		9,022,526		8,348,937
Administrative expenses		(1,042,499)		(1,012,887)
Selling expenses		(4,327,951)		(3,937,279)
		(5,370,450)		(4,950,166)
Operating income		3,652,076		3,398,771
Other expenses, net (Note 13)		(107,543)		(150,264)
Comprehensive financial (expense) income:				
Interest income net		1,552		52,426
Exchange gain, net		11,452		1,937
Loss from monetary position		(41,218)		(38,576)
		(28,214)		15,787
		3,516,319		3,264,294
Equity in income (loss) of associated companies		14,816		(6,473)
Income before provisions for income tax		3,531,135		3,257,821
Provisions for income tax (Note 14)		(1,046,639)		(965,395)
Income before minority interest		2,484,496		2,292,426
Minority interest		(28)		(30)
Net income	Ps.	2,484,468	Ps.	2,292,396
Net income per share	Ps.	3.08	Ps.	2.84
Weighted average shares outstanding (thousands)		806,020		806,020

The accompanying twenty-one notes are an integral part of these consolidated financial statements, which were authorized for issuance on March 13, 2008 by the undersigned officers.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

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

Consolidated Statement of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2006
(Notes 1 and 2) (Thousands of Mexican pesos of December 31, 2007 purchasing power)

	Capital stock	Additional paid-in capital	Retained earnings
Balance at December 31, 2005	Ps. 4,697,989	Ps. 678,457	Ps. 8,010,174
Changes in 2006:			
Dividends declared			(1,657,381)
Fund for repurchase of own shares		42,410	77,703
Minority interest			
Comprehensive income			2,292,396
Balance at December 31, 2006 (Note 12)	4,697,989	720,867	8,722,892
Changes in 2007:			
Dividends declared			(1,635,405)
Fund for repurchase of own shares		4,419	(38,825)
Minority interest			
Comprehensive income			2,484,468
Balance at December 31, 2007 (Note 12)	Ps. 4,697,989	Ps. 725,286	Ps. 9,533,130

The accompanying twenty-one notes are an integral part of these consolidated financial statements, which were authorized for issuance on March 13, 2008 by the undersigned officers.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

Cumulative translation adjustment of foreign subsidiary	Charge to stockholders' equity for labor obligations	Deficit from restatement	Total majority interest	Minority interest	Total stockholders' equity
Ps. 5,044	(Ps. 953)	(Ps. 2,247,926)	Ps. 11,142,785	Ps. 156	Ps. 11,142,941
			(1,657,381)		(1,657,381)
			120,113		120,113
				4	4
206	(18,401)	(97,403)	2,176,798		2,176,798
5,250	(19,354)	(2,345,329)	11,782,315	160	11,782,475
			(1,635,405)		(1,635,405)
			(34,406)		(34,406)
				(12)	(12)
(117)	8,594	(89,196)	2,403,749		2,403,749
Ps. 5,133	(Ps. 10,760)	(Ps. 2,434,525)	Ps. 12,516,253	Ps. 148	Ps. 12,516,401

Consolidated Statements of Changes in Financial Position

For the years ended December 31, 2007 and 2006
(Notes 1 and 2) (Thousands of Mexican pesos of December 31, 2007 purchasing power)

		2007		2006
Operating activities:				
Net income	Ps.	2,484,468	Ps.	2,292,396
Items not affecting resources:				
Allowance for doubtful accounts		10,550		5,255
Depreciation and amortization		819,696		739,155
Disposal of obsolete machinery and equipment		126,452		191,308
Other		1,128		(2,762)
Labor obligations		130,508		110,539
Equity in (income) loss of associated companies		(14,816)		6,473
Deferred employees' profit sharing		(12,630)		-
Deferred income tax		130,337		165,906
		3,675,693		3,508,270
Changes in working capital:				
Trade and other accounts receivable		148,751		(29,860)
Inventories		(112,932)		(94,642)
Prepaid expenses and other assets		101,012		(2,321)
Suppliers		272,233		57,757
Other accounts payable and accrued expenses		(270,972)		(93,815)
Resources provided by operating activities		3,813,775		3,345,389
Financing activities:				
Long-term debt		(68,564)		(75,999)
Dividends declared		(1,635,405)		(1,657,381)
Fund for repurchase of own shares		(34,406)		120,113
Resources used in financing activities		(1,738,375)		(1,613,267)
Investing activities:				
Property, plant and equipment, net		(1,100,480)		(1,238,665)
Acquisition of subsidiary		(165,185)		-
Sale of shares of associated company		-		7,144
Goodwill from acquisition of subsidiary		(265,028)		-
Intangible assets		(349,370)		(43,970)
Cumulative translation adjustment of foreign subsidiary		(117)		206
Resources used in investing activities		(1,880,180)		(1,275,285)
Increase in cash and temporary investments		195,220		456,837
Cash and temporary investments of acquired subsidiary		585		-
Cash and temporary investments at beginning of year		2,561,757		2,104,920
Cash and temporary investments at end of year	Ps.	2,757,562	Ps.	2,561,757

The accompanying twenty-one notes are an integral part of these consolidated financial statements, which were authorized for issuance on March 13, 2008 by the undersigned officers.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS AND RELEVANT EVENTS

Embotelladoras Arca, S. A. B. de C. V. (Arca) is a company whose main activity consists of the production, distribution and sale of soft drinks of brands owned by The Coca-Cola Company (TCCC), as well as other brands owned by Arca and third parties. Under a bottling agreement with TCCC, Arca has exclusive rights to carry out these activities with Coca-Cola products in territories located in northern Mexico, where it operates with a product portfolio of private and third party labels, including soft drinks and carbonated and non-carbonated bottled water (purified or flavored) in various presentations.

Arca operates through wholly-owned subsidiaries in which it controls, directly or indirectly, the majority of common stock. The term "the Company", as used in this report, refers to Arca and its subsidiaries.

On January 22, 2007, Arca, Nacional de Alimentos y Helados, S.A. de C. V. ("NAYHSA") and the stockholders of NAYHSA signed a purchase agreement that includes all assets used by NAYHSA in the operation of its snacks business and the commercialization of its snack products, including contractual rights, the brand Bokados and all other industrial property rights involved, but excluding certain property and rights over brands that are not significant for the business.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with and fully comply with Mexican Financial Reporting Standards (MFRS) and are stated in Mexican pesos of December 31, 2007 purchasing power.

The consolidated financial statements as well as their Notes were authorized for issuance on March 13, 2008, by the officers whose signatures appear at the end of these Notes.

Beginning on January 1, 2007, the Company adopted the provisions of the MFRS B-3 "Income Statement" which modifies the general presentation and disclosure criteria for this financial statement. In this connection, the Company considers that the income statement structure which best reflects the essence of its operations is by function, since grouping its costs and expenses in this way allows it to show the different levels of profit. Additionally, in order to facilitate analysis of its financial position, the Company shows the operating income separately in the income statement, because this caption represents a factor for analysis that Arca and subsidiaries' financial statements have presented regularly.

The adoption of this Standard in 2007 did not represent a significant change in the presentation and general structure of the income statement for 2006, and simply required a reclassification, for comparative purposes, of the employees' statutory profit sharing to the other expense caption.

Following is a summary of the principal accounting policies, including the relative concepts, methods and criteria followed by Arca in the preparation of these consolidated financial statements:

a. Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of all subsidiaries in which Arca has a controlling interest. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. The consolidation was prepared based on the financial statements of the following subsidiaries of which Arca owns, directly or indirectly, 100% of the capital stock:

Manufacturing companies
Compañía Topo Chico, S. A. de C. V.
Sello Tapa, S. A. de C. V.(1)
Interex, Corp.
Bebidas Arca, S. A. de C. V. (2)
Industrial de Plásticos Arma, S. A. de C. V.
Embotelladora de la Frontera, S. A. de C. V. (3)
Bebidas Envasadas del Pacífico, S A. de C. V. (4)
Agua Purificada Arca, S. A. de C. V. (5)
Productora y Comercializadora de Bebidas Arca, S. A. de C. V.
Nacional de Alimentos y Helados, S. A. de C. V. (6)

Holding, real estate and service companies
Publicidad Eficaz, S. A. de C. V. (7)
Arca Corporativo, S. A. de C. V. (8)
Desarrolladora Arca, S. A. de C. V.
Embotelladoras Argos, S. A.

(1) As from January 31, 2008, Sello Tapa, S. A. de C.V. changed its name to Distribuidora de Jugos y Bebidas del Norte, S. A. de C. V.

(2) Effective as from January 1, 2007, Bebidas Mundiales, S. A. de C. V., Embotelladora Tamaulipeca, S. A. de C. V. and Embotelladoras del Norte de Coahuila, S. A. de C. V. were merged into Bebidas Arca, S. A. de C. V.

(3) Effective as from January 1, 2007, Embotelladora de Chihuahua, S. A. de C. V. was merged into Embotelladora de la Frontera, S. A. de C. V.

(4) Effective as from January 1, 2007, Embotelladora Pitic, S. A. de C. V., Compañía Embotelladora del Pacífico, S. A. de C. V., Compañía Embotelladora de Baja California Sur, S. A. de C. V. and Embotelladora de Mexicali, S. A. de C. V. were merged into Compañía Embotelladora de Culiacán, S. A. de C. V., whose name was changed as from July 1, 2007 to Bebidas Envasadas del Pacífico, S. A. de C. V.

(5) Effective as from August 1, 2007 Purificadora y Comercializadora SierrAzul S. A. de C. V. was merged into Agua Purificada Arca, S. A. de C. V.

(6) On January 22, 2007, Arca acquired control of the shares of NAYHSA. (See Note 1.)

(7) Effective as from November 1, 2007, Publicidad y Servicios Arca, S. A. de C. V. was merged into Publicidad Eficaz, S. A. de C. V., whose name was subsequently changed to Servicios Corporativos Arca, S. A. de C. V.

(8) As from March 2008, Arca Corporativo, S. A. de C. V. changed its name to Bebidas Mundiales, S. A. de C. V.

b. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions, recorded under the best estimate, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the information shown in the financial statements at December 31, 2007 and 2006.

c. Recognition of the effects of inflation

The consolidated financial statements have been prepared in accordance with Statement B-10, "Recognition of the Effects of Inflation on Financial Information", as amended, issued by the Mexican Institute of Public Accountants (MIPA). Statement B-10 provides guidance for the recognition of the effects of inflation.

Statement B-10 requires restatement of all financial statement items to pesos of current purchasing power. For comparative purposes, the consolidated financial statements of prior years have been restated to pesos of December 31, 2007 purchasing power.

The factors derived from the National Consumer Price Index (NCPI) used to restate prior years' financial statements were 3.76% and 4.05% for 2007 and 2006, respectively.

The following items are the result of the recognition of the effects of inflation on the financial information:

i) Comprehensive financial income (expense)

This caption consisting of net interest, net foreign exchange gains or losses and gain or loss from monetary position. Gains (losses) from monetary position represent the effect of inflation, as measured by the NCPI, on the Company's net balance of monetary assets and liabilities at the beginning of each month as expressed in local currency. If monetary liabilities exceed monetary assets, there is a gain from monetary position. Conversely, if monetary liabilities are less than monetary assets, there is a loss from monetary position.

ii) Deficit from restatement

This component represents the difference between the replacement cost value of non-monetary assets and the historical cost of those assets restated for inflation, as measured by NCPI factors.

iii) Restatement of stockholders' equity

The capital stock, paid-in capital and retained earnings accounts include the effects of restatement, determined by applying NCPI factors from the dates on which capital was contributed and earnings were generated, respectively. Such restatement reflects the amounts necessary to maintain the contributions and accumulated results in pesos of December 31, 2007 purchasing power.

iv) Statement of changes in financial position

Statement B-12, "Statement of changes in financial position" issued by the MIPA, specifies the appropriate presentation of the statement of changes in financial position when financial statements have been stated in constant pesos of purchasing power as of the date of the last balance sheet. Statement B-12 requires identifying the origin and application of resources through the differences between initial and final balances of the balance sheet in constant pesos, excluding the effects from holding non-monetary assets.

d. Cash and temporary investments

Arca considers all highly liquid temporary investments with original maturities of three months or less to be cash equivalents.

e. Inventories and cost of sales (Note 4)

Raw materials, finished products and materials and spare parts are stated at average cost, which due to high inventory turnover approximates the estimated replacement cost, or market value.

Bottles and cases are recorded at acquisition cost and restated to their replacement cost.

Cost of sales is stated at estimated replacement cost at the time of the sale.

Breakage of bottles and delivery cases that are no longer acceptable for use in accordance with age standards and/or conditions established by Arca, are withdrawn and charged to income as identified. The useful life of returnable glass and plastic bottles is estimated at an average of four years and one year, respectively.

f. Investment in securities (Note 5)

Investments in shares of affiliated companies, in which the percentage of ownership is between 10% and 50% of the investees' voting stock, or where Arca exercises significant influence, are accounted for by the equity method. Under this method, the acquisition cost of shares is modified by the proportionate part of any changes in the associated companies' stockholders' equity subsequent to the acquisition date. The Company's equity in its subsidiaries is presented separately in the income statement. Investments in non-marketable common stock with ownership of less than 10% of the investees' voting stock are recorded at acquisition cost restated by applying factors derived from NCPI.

g. Property, plant and equipment, net (Note 6)

Property, plant and equipment are recorded at acquisition cost, restated by applying inflation factors derived from the NCPI to the historical cost. When assets are retired or otherwise disposed of, the restated cost and accumulated depreciation are written-off from the related accounts and any resulting gain or loss is recorded in income in "Other expense, net". (See Note 13).

Beginning on January 1, 2007, the Company adopted the standards contained in MFRS D-6 "Capitalization of Comprehensive Financing (Expense) Income", which requires that the interest cost, exchange gain or loss, the gain or loss from monetary position and other costs associated with financing assets whose acquisition requires a substantial period of time be capitalized as part of the cost of these assets.

Depreciation is calculated based upon the restated carrying value of the assets and is recorded using the straight-line method based on the estimated useful lives of the assets. Annual rates applied to restated amounts are as follows:

Buildings	2%
Machinery and equipment	8%
Transportation equipment	10%
Refrigerators and sales equipment	10%
Computer equipment	25%
Office equipment	10%

For assets showing loss from impairment, see paragraph j. below.

h. Goodwill (Note 7)

Goodwill represents the excess of the cost of the net assets of acquired subsidiaries over their net book value or fair value, and is stated at restated value, determined by applying NCPI factors to the original value less the respective accumulated amortization through December 31, 2004.

The amounts recorded as goodwill are tested for impairment on an annual basis, or earlier in the event circumstances occur that indicate the existence of a possible impairment.

i. Other assets (Note 8)

Other assets represent services, goods or rights, and are amortized over the period in which they are estimated to yield profits. Other assets are evaluated periodically as to their ability to continue yielding future profits. The main concepts comprised in this item correspond to software licenses, intangible assets and labor obligations. (See Note 10).

This item also includes intangible assets in respect of Arca's private labels, which are stated at their restated historical cost, representing expenditures for the registration of such labels with the corresponding authority. These amounts may significantly differ from their market value. The value of these assets is subject to annual testing for impairment.

j. Long-lived assets

Long-lived assets, tangible and intangible (including goodwill), are assessed through an annual study in order to determine if there are any impairment losses.

As mentioned above, the Company performs tests on its property, plant and equipment and intangibles with a definite useful life, when certain facts and circumstances point to the fact that the recorded value of such assets may not be recovered. In the case of goodwill the company evaluates its recoverability on an annual basis.

k. Labor obligations (Note 10)

In accordance with Mexican Labor Law, employees are entitled to a seniority premium after 15 years of service or upon dismissal, disability or death. Under Statement D-3, "Labor Obligations", the actuarially determined projected benefit obligation is computed using estimates of salaries that would be in effect at the time of payment. Personnel not yet eligible for seniority premiums are also included in the determination of the obligation with necessary adjustments made in accordance with the probability that these employees will reach the required seniority.

The cost of the employees and workers' retirement plans (pension plans, seniority premiums and postretirement medical benefits and dismissal indemnities), both formal and informal, established in each subsidiary, is recognized as an expense in the year in which the services are rendered, in accordance with studies by independent actuaries using the projected unit credit method.

l. Income tax, asset tax and flat tax (Note 14)

Income tax is recorded by the comprehensive asset-and-liability method, which consists in recognizing deferred tax on all temporary differences between the book and tax values of assets and liabilities.

Deferred employees' statutory profit sharing is recorded only in respect of those temporary differences between book income and income adjusted for tax purposes which it may reasonably be presumed will result in a future liability or benefit and is presented in the income statement in the "other expense, net" caption as from January 1, 2007.

m. Financial instruments

The investments in derivative financial instruments are for hedging purposes with respect to adverse fluctuations in interest rates on bonds. They are recorded as assets and liabilities at their fair value.

Interest derived from these financial instruments is recorded in the statement of income as accrued.

n. Fund for repurchase of own shares

Shares acquired are shown as a decrease in the fund for repurchase of own shares which is included in the financial statements in retained earnings. They are valued at their restated acquisition cost, by applying factors derived from the NCPI to the historical cost. Dividends received on repurchased shares are recorded by decreasing their restated cost.

In the case of the sale of shares, any difference between the amount obtained and the restated cost of such shares is recognized as additional paid-in capital.

o. Revenue recognition

Revenues are recognized upon shipment to and acceptance by Arca's customers, or when both title and the risk of ownership have been transferred to the customer.

From time to time, Arca gives sales discounts to retailers in connection with launching a new product or special promotion. In addition, sales discounts may also be granted to large retailers. These promotional payments are accounted for as a reduction in revenue.

p. Advertising and refrigeration equipment and incentive payments from TCCC

In accordance with the bottling agreement entered into by and between Arca and TCCC, Arca agrees that in order to develop and promote the demand of each of the Coca-Cola products, it requires advertising and other marketing activities, to which TCCC may, at its sole discretion, contribute to maintain and increase the demand for these products.

Regional advertising campaigns have to be approved by The Coca-Cola Export Corporation's branch in Mexico (CCM), which generally reimburses certain percentages of the cost of advertising campaigns of Coca-Cola products and of the refrigeration equipment acquired. These incentives are recorded as a reduction to selling expenses and in the other expenses caption, net, respectively, in the income (loss) for the year they are received.

q. Foreign currency transactions (Note 15)

At December 31, 2007 and 2006, the exchange rate was nominal Ps10.90 and Ps10.87 to the US dollar, respectively.

Transactions denominated in foreign currency are recorded at the exchange rate in effect at the date of the transaction. Assets and liabilities in foreign currency are translated into Mexican pesos at the exchange rate in effect as of the balance sheet date. Exchange differences resulting from such translations are recognized in income for the year.

r. Net income per share

Earnings per share are computed on the basis of the weighted average number of common shares outstanding during the year. For the years ended December 31, 2007 and 2006, there were no effects arising from potentially dilutive shares.

s. Concentration of risk

Financial instruments that potentially subject Arca to significant concentration of credit risk consist primarily of cash and cash equivalents, trade accounts receivable and other accounts receivable.

Arca maintains its cash and temporary investments with various major financial institutions. They are mainly invested in short-term investments and money market accounts.

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers throughout the states of northern Mexico where Arca operates. Arca maintains allowances for doubtful accounts based on the expected collectibility.

In 2007 and 2006, approximately 94% of Arca's net sales consisted of products sold under trademarks owned by TCCC. The currently effective bottling agreement entered into by and between Arca and TCCC was signed on September 23, 2004 and expires on September 22, 2014, however, it may be renewed at that date for an additional 10 years.

During Arca's more than 80-year business than relationship with TCCC, the latter has never failed to renew the bottling agreement with Arca. Management believes that TCCC will continue to renew the bottling agreement upon its expiration date, but can give no assurance that the bottling agreement will be renewed in the future. If TCCC fails to renew the bottling agreement, Arca's business and results of operations could be adversely affected.

Additionally, under the bottling agreement, TCCC exclusively supplies the concentrates and syrups used in the manufacturing of all the products sold under its proprietary trademarks and has the ability to unilaterally set the price of such products. If TCCC significantly increased the prices of concentrate for soft drinks, Arca's results of operations could be adversely affected.

t. Financial lease (Note 19)

The financial lease investment at the beginning of the year includes the sum of the minimum payments plus the residual value and is recorded as an account receivable. The difference between the investment and its present value is recorded as a deferred credit, representing financial income to be earned, which is applied to income so as to produce a yield rate (2%) over unpaid balances.

The discount rate used by the Company to determine the present value is 7.2%, and it represents the interest rate implicit in the lease. If this rate were lower than the current market rate, the latter would be used.

The cost of the leased property minus the present accrued residual value plus any initial cost is charged to cost of sales in the same period in which the sale is recognized.

u. Comprehensive income

Comprehensive income is represented by the net income plus the gain or loss from holding non-monetary assets, the translation adjustment arising in connection with the foreign subsidiary, and items required by specific accounting standards to be reflected in stockholders' equity but which do not constitute capital contributions, reductions or distributions. It is restated on the basis of NCPI factors.

Comprehensive income comprised the following:

December 31,	**2007**	2006
Net income	**Ps. 2,484,468**	Ps. 2,292,396
Cumulative translation adjustment of foreign subsidiary	**(117)**	206
Charge to stockholders' equity for labor obligations	**8,594**	(18,401)
Loss from holding non-monetary assets	**(89,196)**	(97,403)
Comprehensive income	**Ps. 2,403,749**	Ps. 2,176,798

NOTE 3 - OTHER ACCOUNTS RECEIVABLE, SHORT AND LONG-TERM

Other short and long-term accounts receivable are analyzed as follows:

December 31,		**2007**		2006
Short-term accounts receivable:				
Amcor PET Packaging de México, S. A. de C. V. (Amcor) (1)	**Ps.**	**-**	Ps.	68,123
Sundry debtors		**251,059**		164,579
	Ps.	**251,059**	Ps.	232,702
Long-term accounts receivable:				
Amcor (1)	**Ps.**	**-**	Ps.	169,668

(1) On January 29, 2007 the company entered into a sales agreement relative to the account receivable from Amcor for up to an amount of US$21,000, with maturity in November 2010. See Note 11c).

NOTE 4 - INVENTORIES

Inventories consist of the following:

December 31,		**2007**		2006
Raw materials	**Ps.**	**190,271**	Ps.	174,736
Finished products		**242,070**		243,684
Materials and spare parts		**193,432**		177,582
Bottles and cases		**351,644**		350,011
Advances to suppliers and other		**19,000**		18,787
	Ps.	**996,417**	Ps.	964,800

NOTE 5 - INVESTMENT IN SHARES

The investment in shares consisted of the following:

December 31,	% stock ownership		**2007**		2006
Promotora Mexicana de Embotelladoras, S. A. de C. V. (PROMESA) (1)	20.00%	**Ps.**	**10,955**	Ps.	10,882
Compañía de Servicios de Bebidas Refrescantes, S. A. de C. V. (SALESKO) (1)	17.00%		**42,373**		9,972
Industria Envasadora de Querétaro, S. A. de C. V. (ENVASA) (1)	13.5%		**68,288**		68,070
Servicios Integrados para la Industria Refresquera, S. A. de C. V. (2)	0.55%		**6**		6
		Ps.	**121,622**	Ps.	88,930

(1) These investments are stated by applying the equity method.

(2) This investment is stated by applying factors derived from the NCPI to the restated historical cost.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

December 31,	2007	2006
Land	**Ps. 1,548,919**	Ps. 1,619,910
Buildings	**3,596,138**	3,507,929
Machinery and equipment	**5,927,798**	5,646,506
Transportation equipment	**3,112,693**	2,834,195
Refrigerators and sales equipment	**2,155,715**	1,934,461
Computer equipment	**346,814**	324,160
Office equipment	**349,995**	342,625
Construction in progress and other	**315,082**	233,734
	17,353,154	16,443,520
Accumulated depreciation	**(8,171,499)**	(7,605,382)
	Ps. 9,181,655	Ps. 8,838,138

Depreciation charged to income in 2007 and 2006 was Ps 777,129 and Ps 705,197, respectively.

NOTE 7 - GOODWILL

The goodwill is analyzed as follows:

December 31,	2007	2006
a) Recorded in acquired subsidiaries	**Ps. 1,554,192**	Ps. 1,554,192
b) Recorded by Arca *	**1,683,590**	1,418,562
	3,237,782	2,972,754
Accumulated amortization through December 31, 2004	**(703,529)**	(703,529)
	Ps. 2,534,253	Ps. 2,269,225

* On January 22, 2007 Arca acquired 100% of the shares of NAYHSA. As a result of this operation, an excess of the cost over the value of the assets acquired was generated in an amount of Ps.576,404, of which Ps.311,376 was assigned to the value of the commercial brand Bokados (recorded in other assets); this amount does not exceed the market value in accordance with a study obtained by the Company from independent experts.

NOTE 8 – OTHER ASSETS

Other assets are analyzed as follows:

December 31,	2007	2006
Proprietary brands and industrial secrets	Ps. 352,185	Ps. 2,816
Software licenses	226,626	221,737
Installation expenses	25,146	25,436
Expenses on issuance of securities	9,918	9,918
Other assets	4,721	5,176
	618,596	265,083
Accumulated amortization	(144,545)	(99,674)
	474,051	165,409
Intangible asset from labor obligations	131,149	168,212
	Ps. 605,200	Ps. 333,621

The amortization charged to income in 2007 and 2006, was to Ps. 42,567 and Ps. 33,958, respectively.

NOTE 9 - SHORT-TERM AND LONG-TERM DEBT

Short-term and long-term debt is summarized as follows:

December 31,	2007	2006
Bonds	Ps. 1,500,000	Ps. 1,556,250
Bank loan	20,465	32,779
	1,520,465	1,589,029
Current portion of long-term debt	(1,011,340)	(11,601)
Long-term debt	Ps. 509,125	Ps. 1,577,428

Bonds were issued for a total of Ps.1,500,000 (nominal), on November 7, 2003. These bonds correspond to the first part of a deposit program for a total of Ps.5,000,000 (nominal). The deposit consisted of an issue in the amount of Ps.1,000,000 (nominal) for a 5-year term with a 182-day variable CETES interest rate plus 88 basis points, and another issue for an amount of Ps.500,000 (nominal) for a 7-year term with an 8.8% fixed interest rate.

Expenses incurred in the issuance of bonds amounted to Ps.9,917. These were capitalized and are being amortized over a five-year period. At December 31, 2007, the amortization of those expenses amounted to Ps.2,030 (Ps.1,934 in 2006) and is included in "Administrative expenses."

On February 4, 2004, Arca entered into two loan agreements with Deutsche Bank Aktiengesellschaft (DBA) for a period of 5 and 6 Years in the amounts of US$5,188 and US$1,050, respectively. Both loans bear interest at the six-month LIBOR interest rate plus .50% basis points, and are payable in semiannual installments commencing June 2004. These loans were obtained to finance the acquisition of a bottling line for non-soft drinks in disposable bottles, acquired from Krones AG, Neutraubling, Germany.

These loan agreements contain covenants, mainly regarding compliance with the furnishing financial information, notification of relevant events, etc. Failure to comply with the aforementioned covenants in a specific period. To the satisfaction of the bank could represent a cause for early maturity. At the date of issuance of these financial statements, Arca was in compliance with these covenants and commitments.

At December 31, 2007, the balances payable to DBA amounted to US$1,674 and US$203, respectively (US$2,511 and US$406 in 2006). This balance is stated in Mexican pesos in the financial statements at Ps.20,465 (Ps.32,779 in 2006).

NOTE 10 - LABOR OBLIGATIONS

Arca has several employee benefit plans (see Note 2. k). The valuation of the liabilities for employee retirement plans (pensions, seniority premium, postretirement medical benefits and dismissal indemnities), formal or informal, covers all employees included in the plans, and is based primarily on their years of service, present age and their estimated salary at the retirement date.

Most of Arca's subsidiaries make voluntary contributions from time to time to fund the pension, postretirement and seniority premium plans, which contributions are tax deductible. As of December 31, 2007 and 2006, the pension funds, postretirement and seniority premium trusts are invested in bonds and securities issued by the Mexican Government, debt instruments, investment funds or other securities approved by the National Banking and Securities Commission (CNBV) under applicable tax regulations.

The following information shows the changes in labor obligations and plan assets for the years ended December 31, 2007 and 2006.

December 31,	**2007**	2006
Accumulated benefit obligation	**Ps. 514,688**	Ps. 524,596
Accumulated net liability (1)	**Ps. 208,918**	Ps. 233,164
Projected benefit obligation	**Ps. 908,124**	Ps. 887,898
Transition liability	**(230,693)**	(253,797)
Unamortized actuarial gains and losses	**(118,486)**	(123,569)
Plan assets	**(618,009)**	(452,790)
Projected net (asset) liability	(**Ps. 59,064)**	Ps. 57,742
Minimum additional liability (1)	**Ps. 141,909**	Ps. 175,701
Intangible asset	**(131,149)**	(156,347)
Amount charged to stockholders' equity	**Ps. 10,760**	Ps. 19,354

(1) These concepts correspond to the sum of the amounts determined for each of the subsidiaries that have personnel for each of the plans and benefits established by them.

December 31,	2007	2006
Average remaining service life (in years):		
Pensions	**20**	20
Seniority premiums	**16**	16
Postretirement benefits	**13**	13
Dismissal indemnities	**16**	16

The net service cost for the year consisted of the following:

December 31,		2007		2006
Service cost	**Ps.**	**55,367**	Ps.	53,402
Financial cost		**41,271**		42,716
Expected return on assets		**(28,528)**		(20,808)
Amortization of net transition liability		**37,395**		39,038
Amortization of actuarial gains and losses		**7,503**		1,820
Effect of extinction of obligations		**(1,244)**		(5,629)
Estimated cost of defined contributions		**18,744**		-
Net cost for the period	**Ps.**	**130,508**	Ps.	110,539

The transition liability and actuarial gains and losses are recorded through charges to income by the straight-line method over the average remaining service life of the employees expected to receive the benefits.

The following actuarial assumptions were used to determine the present value of accumulated plan benefits for pension plans, postretirement benefits, seniority premiums and dismissal indemnities in real terms (excluding inflation effects):

December 31,	2007	2006
Weighted discount rate	**5%**	5%
Estimated return on plan assets	**6.5%**	6.5%
Salary increase rate	**1%**	1%

NOTE 11 – CONTINGENCIES AND COMMITMENTS

a) Bottling agreements

The bottling agreement entered into with TCCC provides that Arca may not bottle any products other than Coca-Cola products, except for those expressly authorized under the bottling agreement. Arca is currently bottling and distributing some other products under its own brand names with TCCC´s authorization.

b) The Mexican Antitrust Commission

On February 22 and March 3, 2000 Pepsi-Cola Mexicana, S. A. de C. V. and several other companies filed a complaint with the Mexican Antitrust Commission (MAC), accusing TCCC and its Mexican bottlers, including Arca, of engaging in relative monopolistic practices. In June and December, 2005, the MAC resolved that Coca-Cola bottlers have followed certain commercial practices that constitute violations of the Federal Antitrust Law, as a result of which it imposed a fine of approximately Ps.137,000.

Arca filed a request for an injunction against these resolutions and other acts of the MAC, which is under review by the courts. The legal advisors of Arca consider that there are sufficient bases to consider that the final resolution of this issue will prove favorable to the Company.

c) Commitments

Discount on the account receivable from Amcor

At January 29, 2007 the company entered into a sales agreement for the account receivable from Amcor for up to an amount of US$21,000 with maturity in November 2010 through an operation consisting of:

i. The transfer and sale to Bank of America, N.A. of the collection rights (the "Credit Rights") owned by Desarrolladora Arca, S. A. de C. V. (Dasa) and corresponding to obligations payable by Amcor, with its affiliated company Amcor PET Packaging USA, Inc. being jointly liable with the former, derived from the "Equipment Agreement" signed on November 1, 2003 by these companies, Arca and its bottling subsidiaries.

ii. The granting of a guarantee by Arca to Bank of America, N. A. covering compliance with obligations to be assumed by Dasa, in favor of Bank of America, N. A. as a result of the aforementioned operation, as well as the timely compliance with the payment of Credit Rights, with Arca reserving a corresponding repurchase option.

Information technology services agreement

At May 30, 2005, Arca signed an outsourcing contract for information technology services with EDS de México, S.A. de C.V. (EDS), for a 5-year period: among the contracted services are the operation, administration and/or maintenance of the technology used by Arca in its businesses and those of its subsidiaries. As a result of the foregoing, Arca will make payments in the amount of US$11,480 as follows:

(1)	May 2008	US$	4,282
(2)	May 2009		3,706
(3)	May 2010		3,492
		US$	11,480

Famosa

At April 30, 2004, Arca entered into a supply agreement for a period of eight years for the supply of metallic crowns to Fábricas Monterrey, S. A. de C. V. (Famosa), a subsidiary of Femsa Empaques, S. A. de C. V. This agreement establishes that as from the seventh year of the agreement Famosa shall have the option of acquiring the assets owned by Arca used in the production of metallic crowns, at a sales price to be established when the agreement expires.

NOTE 12 - STOCKHOLDERS' EQUITY

As of December 31 the stockholders' equity consists of the following:

	2007			2006
	Historical value	**Restatement**	**Total**	
Capital stock	**Ps. 50,000**	**Ps. 4,647,989**	**Ps. 4,697,989**	Ps. 4,697,989
Additional paid in capital	**557,152**	**168,134**	**725,286**	720,867
	607,152	**4,816,123**	**5,423,275**	5,418,856
Retained earnings	**9,480,894**	**52,236**	**9,533,130**	8,722,892
Cumulative translation adjustment of foreign subsidiary	**5,133**	**-**	**5,133**	5,250
Charge to stockholders' equity for labor obligations	**(10,760)**	**-**	**(10,760)**	(19,354)
Deficit from restatement	**-**	**(2,434,525)**	**(2,434,525)**	(2,345,329)
	9,475,267	**(2,382,289)**	**7,092,978**	6,363,459
Total majority interest	**10,082,419**	**2,433,834**	**12,516,253**	11,782,315
Minority interest	**148**	**-**	**148**	160
Total stockholders' equity	**Ps. 10,082,567**	**Ps. 2,433,834**	**Ps. 12,516,401**	Ps. 11,782,475

The authorized capital stock is variable with a fixed minimum of Ps. 46,360, and a variable portion that may not exceed ten times the fixed portion. Arca's capital stock is represented by a single series of shares of common stock, with no par value, issued in registered form, and without ownership restrictions. All the shares of capital stock have identical rights and obligations.

As of December 31, 2007 and 2006, Arca's capital stock consisted of the following:

	Number of Sahares
Subscribed fixed capital	434,066,289
Subscribed variable capital	371,953,370
	806,019,659

On listing its shares in the BMV, Arca is bound to comply with the legislation established in the Stock Market Law (LMV).

In an Ordinary General Meeting held on March 27, 2007, the stockholders agreed to distribute a dividend of Ps.0.90, and the Board of Directors of Arca was authorized to pay subsequent dividends in the year. Based on this authorization, Arca's Board of Directors approved distributing a dividend of Ps.1.10 per share, in its meeting held at October 23, 2007, which was paid on November 21. The amount of the dividends distributed in 2007 was Ps.1,635,405.

In an Ordinary General Meetings held on April 4 and November 16, 2006, the stockholders agreed to distribute a dividend of Ps.0.85 and Ps.1.10 per share, respectively. The amount of the dividends distributed in 2007 was Ps. 1,657,381.

In a meeting held on March 27, 2007, the stockholders approved the maximum amount of resources that could be destined to the purchase of Arca own shares at Ps.500,000 (nominal). At December 31, 2007, the total amount of shares held in treasury was 1,994,900, equal to Ps. 77,543 (12,400 shares equal to Ps. 435 in 2006). At the date of issuance of these consolidated financial statements, the market value of Arca's shares was Ps.41.96.

All fully paid shares at the time the distribution of dividends is approved by the shareholders meeting shall be entitled to a pro-rata share of such dividend. Any partially paid shares shall be entitled to participate in such dividends in proportion to their paid amount.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account, and will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the reinvested Net Tax Profit Account. Any dividends paid in excess of this account are subject to a tax equivalent to approximately 39% if paid during 2007. The tax is payable by the company and may be credited against its income tax in the same year or the following two years. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payment.

In the case of a capital reduction, any excess of the proceeds to shareholders over the balances of contributed capital accounts will be accorded the same tax treatment as dividends, in conformity with the procedures established by the Mexican Income Tax Law.

Under Mexican Corporate Law, a company's net profit for each fiscal year (net of all tax provisions, any other statutory provisions, and any losses from previous years), are subject to the shareholders' approval at the ordinary general shareholders' meeting and should be allocated as follows:

- Mexican Corporate Law requires appropriation of 5% of annual net income to the legal reserve, until the reserve equals 20% of a company's restated capital stock. This reserve is not available for dividends, but may be used to reduce a deficit or may be transferred to contributed capital.

- Other amounts, as determined by the stockholders may be segregated and allocated to any other general or special reserves.

- The remaining balance, if any, is available for cash dividends to the shareholders.

NOTE 13 - OTHER INCOME, NET

Other income net, comprised the following:

December 31,	**2007**	2006
Currently payable employees' profit sharing	**(Ps. 218,507)**	(Ps. 198,029)
Deferred employees' profit sharing	**12,630**	-
Loss from sales and estimates for the disposal of fixed assets	**44,145**	(1,301)
Income tax receivable from prior years	**27,881**	47,266
Tax incentives applied	**26,928**	-
Other	**(620)**	1,800
	(Ps. 107,543)	(Ps. 150,264)

Employees' profit sharing:

Employees' profit sharing is determined at the rate of 10% on the taxable income adjusted as prescribed by the Income Tax Law. Arca obtained a favorable resolution with respect to the application of Article 10 of the Income Tax Law in the calculation of employees' profit sharing.

In December 2004 a change was made to the income tax law, as a result of which the direct deduction of purchases to determine the tax profit was eliminated, in favor of applying the old method of deducting the cost of sales. Consequently, the balance of inventories at that date became a taxable item for income tax and employees' profit sharing purposes. The inventory balance became a temporary non-recurring item, to be reversed in a short period of time.

The employees' profit sharing effects of significant items comprising Arca's net deferred employees' profit sharing liabilities in 2007 and 2006 are Ps.26,177 and Ps.35,266, respectively.

The reconciliation between the statutory and effective employees' profit sharing rate is shown below:

December 31,	**2007**	2006
Income before income tax provision	**Ps. 3,531,135**	Ps. 3,257,821
Equity in (income) loss of associates	**(14,816)**	6,473
Net income before income tax provision	**3,516,319**	3,264,294
Employees' profit sharing at statutory rate (10% in 2007 and 2006)	**(351,632)**	(326,429)
Add (deduct) effect of employees' profit sharing on:		
Comprehensive financing cost	**7,025**	7,209
Non-deductible expenses	**(1,978)**	(2,354)
Other non-taxable income	**18,583**	9,975
Other	**122,125**	113,570
Employees' profit sharing currently payable and charged to income	**(Ps. 205,877)**	(Ps. 198,029)
Effective rate	**6%**	6%

NOTE 14 - INCOME TAX, ASSET TAX AND FLAT TAX

Commencing 2005, the "controlling companies", as defined by the Income Tax Law, may consolidate for income tax purposes, the results of their subsidiaries for up to 100% of the investment maintained in such subsidiaries.

During 2007 and 2006, Arca and its subsidiaries consolidated their results for income and asset tax purposes.

The income tax provision is analyzed as follows:

December 31,	**2007**	2006
Income tax currently payable	**Ps. 916,302**	Ps. 799,489
Deferred income tax	**130,337**	165,906
	Ps. 1,046,639	Ps. 965,395

The reconciliation between the statutory and effective income tax rates is shown below:

December 31,	2007	2006
Income before income tax	**Ps. 3,531,135**	Ps. 3,257,821
Equity in (income) loss of associated companies	**(14,816)**	6,473
Net income before income tax	**3,516,319**	3,264,294
Tax at statutory rate (28% in 2007 and 29% in 2006)	**(984,569)**	(946,645)
Add (deduct) effect on income tax of:		
Comprehensive financial expense	**19,669**	20,906
Non-deductible items	**(5,538)**	(6,826)
Other non-taxable income	**52,033**	28,927
Other	**(128,234)**	(61,757)
Current and deferred income tax	**(Ps.1,046,639)**	(Ps. 965,395)
Effective tax rate	**30%**	30%

The income tax effect of significant items comprising Arca's net deferred income tax assets and liabilities are as follows:

December 31,	2007	2006
Inventory	**Ps. 73,230**	Ps. 97,073
Property, plant and equipment	**1,461,135**	1,294,452
Labor obligations	**11,240**	(26,597)
Employees' profit sharing	**(63,311)**	(56,863)
Tax incentives	**(37,054)**	-
Recoverable taxes	**(53,429)**	-
Other	**(7,763)**	(9,623)
Total net deferred income tax liability	**Ps. 1,384,048**	Ps. 1,298,442

In accordance with the amendments to the Income Tax Law approved as of November 13, 2004, the income tax rate will be reduced to 28% in 2007.

Until December 31, 2007, asset tax was calculated at the rate of 1.8% on the net value of certain assets and liabilities and was due only when asset tax exceeded the income tax payable. Asset tax paid may be recovered over the following ten years, if and when income tax exceeded asset tax during such years.

On October 1, 2007, the Flat Rate Business Tax ("Flat Tax") Law was published and became effective as from January 1, 2008. The law establishes that individuals and legal entities with permanent establishment in Mexico should be subject to this tax. The Flat Tax for the period will be calculated by applying a 16.5% rate for 2008, 17% for 2009 and 17.5% for 2010 and subsequent periods, to a profit determined based on the cash flows. This tax should be paid when the Flat Tax determined exceeds the income tax for the same year. In accordance with the interpretation published by the Mexican Financial Reporting Standards Board, on December 21, 2007, with respect to the effects of Flat Tax, and based on financial and tax projections prepared indicating that Arca and its subsidiaries in Mexico will essentially pay income tax rather than Flat Tax in the future, the Company did not record any deferred effect of Flat Tax at year end.

As of December 31, 2007, law was repealed, however, the new law provides for the recovery of asset tax paid in prior years under certain conditions.

NOTE 15 - FOREIGN CURRENCY POSITION

As of December 31, 2007 and 2006, Arca had the following foreign currency assets and liabilities:

December 31,		**2007**		2006
Monetary assets	**US$**	**195,551**	US$	117,624
Monetary liabilities		**(30,212)**		(3,497)
Net monetary position	**US$**	**165,339**	US$	114,127

At December 31, 2007, the net monetary position in Euros amounted to EUR 579.

Arca's foreign currency transactions were as follows:

December 31,		**2007**		2006
Sales	**US$**	**25,583**	US$	24,714
Purchase of raw materials		**(7,136)**		(1,083)
Purchase of fixed assets		**(8,170)**		(2,730)
Services and interest		**(1,084)**		(215)

At March, 13, 2008, date of issuance of these audited financial statements, the exchange rate was Ps.10.92 per US dollar.

NOTE 16 - BUSINESS SEGMENTS

The company manages and evaluates its operations through information condensed and organized in two segments: soft drinks and other products. The operating segments are managed and controlled independently way because they are different products.

The consolidated financial information of these operating segments for December 31, 2007 is as follows:

		Soft drinks*		Other products**		Total
Caption:						
Net income from transactions with outside customers	Ps.	17,717,760	Ps.	868,043	Ps.	18,585,803
Operating income	Ps.	3,531,416	Ps.	120,660	Ps.	3,652,076
Depreciation and amortization	Ps.	777,694	Ps.	42,002	Ps.	819,696
Investments of the period in fixed assets	Ps.	1,765,956	Ps.	85,658	Ps.	1,851,614
Total fixed assets	Ps.	8,863,031	Ps.	318,624	Ps.	9,181,655

* Includes water in individual packaging

** Includes jug water and snacks

The consolidation financial information of these operating segments for December 31, 2006 is as follows:

	Soft drinks*	Other products*	Total
Caption:			
Net income from transactions with outside customers	Ps. 17,069,787	Ps. 227,863	Ps. 17,297,650
Operating income	Ps. 3,347,849	Ps. 50,922	Ps. 3,398,771
Depreciation and amortization	Ps. 723,416	Ps. 15,739	Ps. 739,155
Investments of the period in fixed assets	Ps. 1,185,100	Ps. 27,712	Ps. 1,212,812
Total fixed assets	Ps. 8,705,494	Ps. 132,644	Ps. 8,838,138

* Includes water in individual packaging
** Includes jug water and snacks

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The main balances payable to related parties were as follows:

December 31,	2007	2006
Criotec, S.A. de C.V. (1)	**Ps. 696**	Ps. -

(1) Arca acquires from Criotec, S.A. de C.V. spare parts for refrigeration equipment. Criotec belongs to one of Arca's stockholders.

Criotec's operations amounted Ps.45 in 2007.

The main balances payable (receivable) to and from associated companies were as follows:

December 31,	2007	2006
PROMESA	**ps. 57,683**	Ps. 45,435
ENVASA	**11,276**	11,457
SALESKO	**41,062**	(6,758)
	Ps. 110,021	Ps. 50,134

The main transactions with associated companies were the following:

December 31,		2007		2006
Sales of manufactured products	**(Ps.**	**30,055)**	(Ps.	22,417)
Purchase of canned products		**443,229**		309,415
Purchase of refrigerators		**101,892**		94,660
Purchase of sugar		**824,750**		1,745,578
Purchase of cans and bottles		**325,780**		324,453
Purchase of spare parts and other		**6,879**		5,165
	Ps.	**1,672,475**	Ps.	2,456,854

NOTE 18 - FINANCIAL INSTRUMENTS

Arca maintains two interest rate hedging contracts as an economic risk protection measure as follows:

i. Contract with ING Bank (México), S. A. (ING) where ING agreed to pay Arca, over an amount of Ps.500,000, semi-annual interest at a variable 182-day Cetes reference rate plus 0.88%. Arca, on the other hand, agreed to pay ING, over the same amount, a fixed interest rate of 9.10%. The contract expires on October 24, 2008.

   At December 31, 2007, interest payable was accrued in the amount of Ps.4,432 (Ps.2,326 receivable in 2006) .

ii. Contract with Bank of America Mexico, S.A. (BAMSA) where BAMSA agreed to pay Arca, over an amount of Ps.500,000, semi-annual interest at a variable 182-day Cetes reference rate plus 0.88%. Arca, on the other hand, agreed to pay BAMSA interest, over the same amount, at a fixed rate of 8.81%. The contract expires on October 24, 2008.

   At December 31, 2007, interest receivable was accrued in the amount of Ps.2,961 (interest receivable of Ps.801 in 2006).

   In 2007, comprehensive financing income includes Ps.7,393 of interest income (Ps.3,127 of interest expense in 2006) corresponding to these contracts.

Following is the market value of the aforementioned hedging contracts at the date of issuance of these financial statements, which were recorded as an asset and a (liability), and credited (charged) to comprehensive financial income (expense):

		Market value
ING	Ps.	2,973
BAMSA		(1,339)
	Ps.	1,634

NOTE 19 – FINANCIAL LEASE

In November 2003, Arca entered into an agreement through which it sold Amcor injection blow machinery and equipment at a price of US$42,000 through a financial lease program.

At December 31, 2006 Arca had recorded the account receivable derived from the financial lease for US$21,000 and at that date, the interest recorded were fully generated in an amount of US$3,414, which was recorded as a deferred credit and amortized as accrued, but that for presentation purposes of these financial statements is shown net of the account receivable mentioned above, which is valued at Ps.237,791 at December 31, 2006. See Notes 11 c) and 3.

At December 31, 2007 the charge to income derived from discount operations relative to the account receivable mentioned above and described in Note 11 c) amounts to Ps.7,892.

NOTE 20 – NEW FINANCIAL REPORTING STANDARDS

During the last quarter of 2007, the Mexican Financial Reporting Standards Board issued some Financial Reporting Standards (MFRS) and some Interpretations to the Financial Reporting Standards (IMFRS), which became effective on January 1st, 2008. It is estimated that these MFRS and IMFRS will not have a significant effect in the Company's financial information.

MFRS B-2 "Cash flows statement". This statement defines the presentation, structure and preparation of the cash flows statements in accordance with the provisions of the MFRS B-10. The MFRS B-2 supersedes Statement B-12, "Statement of changes in financial position", and also requires companies to show gross amounts of collections and payments; in very specific cases, it allows companies to show only net cash flow movements.

MFRS B-10 "Inflation effects". This statement establishes rules for the recognition of the effects of inflation in an inflationary environment in the country. It incorporates, among other, the following changes: i) the option to choose the use of the National Consumer Price Index or the value of the Investments Units ("UDIS", a Mexican index based on inflation), ii) eliminates the use of the special method of valuation for foreign-origin assets, iii) the initial accumulated gain or loss from holding of non-monetary assets and the initial accumulated gain or loss from monetary position, should be reclassified to the retained earnings, except for the gain or loss on items which have not yet been charged or credited to the income statement.

MFRS B-15 "Translation of foreign currency". This statement supersedes current Statement B-15 and establishes, among other, the elimination of the classification of foreign integrated operation and foreign entity. It also establishes the procedures to translate financial information from a foreign operation as: i) from the book currency to the functional currency; and ii) from the functional currency to the reporting currency. It also allows an entity to express its financial statements in a currency different from its functional currency.

MFRS D-3 “Employee benefits”. This statement supersedes current Statement D-3. The most important changes are the reduction to a maximum five-year period to amortize prior year items, the effects of the salary growth in the calculation of the Defined Benefit Obligation (formerly known as Projected Benefit Obligation), the elimination of the accounting recognition of the additional liability and its corresponding intangible asset and separate equity component.

MFRS D-4 “Income tax”. This statement requires companies to record assets tax as a tax credit and therefore as a deferred income tax asset. The term permanent difference is eliminated and the initial effects of the deferred income tax recorded in the stockholders equity, must be reclassified to retained earnings, unless the timing differences which gave rise to them have not been realized.

IMFRS 6 “Option to chose the form of hedges”. This interpretation provides that a derivative financial instrument may be considered a hedge from the date of its acquisition or at a subsequent date, only if it complies with the new requirements established in paragraph 51 a) of the Statement C-10.

IMFRS 7 “Accounting treatment of the comprehensive income or loss derived from a cash flows hedge over a projected transaction for purchasing a non-financial asset”. This interpretation amends the following paragraphs of Statement C-10:

Paragraph 105, to clarify that the effects of a hedge recorded in the comprehensive gain or loss derived from transactions for purchasing a non-financial asset can be capitalized in the cost of the non-financial asset whose price is fixed by the hedge.

Paragraph 106, to indicate that in the case of all cash flows hedges, the amounts recorded in stockholders’ equity as a part of the comprehensive gain or loss of the year must be reclassified to the income statement in the same period or periods in which the hedge contract is signed or the projected transaction is effected, except for the cases indicated in paragraph 105.

Paragraph 110, to indicate that in the case of the cash flow hedges, their accumulated gain or loss which had been recognized in the stockholders’ equity as a part of the comprehensive income or loss must be treated as indicated in paragraph 105, since they are non-financial assets.

NOTE 21 – SUBSEQUENT EVENTS

a) Jugos del Valle

At December 19, 2006, Coca-Cola FEMSA, S. A. B. de C. V. and TCCC announced an agreement with the controlling group of Jugos del Valle, S. A. B. de C.V. (Valle) to make a stock purchase offer for up to 100% of the outstanding shares of Valle. In this connection, Arca has been invited to sign and has signed a letter of intent dated October 30, 2007 to acquire shares of Valle through the incorporation of an investment trust. Arca estimates it will invest approximately US$60,000 in this transaction. At the date of issuance of these financial statements the definitive agreements to allow for the definitive acquisition of the shares in Valle had not been signed.

b) Operations in Argentina

In February 2008, the Company signed a purchase agreement with the shareholders of a TCCC franchise in Argentina's Northwestern region (the "Bottler"). The transaction is subject to certain operating conditions and is expected to be completed in the coming months. The Bottler operates in the provinces (states) of Catamarca, Jujuy, La Rioja, Salta, Santiago del Estero and Tucuman, serving a population of nearly 5 million. In 2007, its sales volume was approximately 80 million unit cases.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

GLOSSARY

ARCA: Embotelladoras Arca, S.A.B. de C.V.

Blowmoulding Equipment: Equipment for conversion of preforms into PET bottles.

Consumer: Individual who purchases the Company's products from a point of sale.

CSD: Carbonated Soft Drink.

Hand Held: Electronic device used by sales force for order taking.

IPADE: Instituto Panamericano de Alta Direccion de Empresas.

ITESM: Instituto Tecnologico y de Estudios Superiores de Monterrey.

MUC: Million Unit Cases.

NR: Non Returnable.

PET Bottle: Non-returnable plastic container.

PET Preform: Intermediate product manufactured from PET resin from which PET bottles are produced through a blowmoulding process.

PET Resin: (Polyethyleneterephtalate) Material used in the production of plastic containers.

Point of Sale: Store or establishment that sells the Company's products to consumers.

Post-Mix Machine: Soft drink dispenser that mixes carbonated water with concentrated syrup. Mainly found in restaurants, cafeterias and schools.

Preform Injection Equipment: Equipment for conversion of PET resin to preforms.

Pre-sale System: System of visiting points of sale prior to delivery of products, during which specific orders are taken for each point of sale. This optimizes product delivery and the product load carried by each distribution truck.

REF-PET Bottle: Returnable plastic container.

SKU: Stock Keeping Unit.

Unit Case: Unit of measurement used in the beverage industry; equivalent to 24 eight-ounce servings.

Vending Machine: Non-returnable soft-drink dispenser that operates with coins.

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