EMBOTELLADORAS ARCA

EXPANDING GROWTH OPPORTUNITIES

2008 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, AS WELL AS NORTHERN ARGENTINA. ARCA ALSO PRODUCES AND DISTRIBUTES BOKADOS BRAND SNACK FOODS.

INDEX

FINANCIAL HIGHLIGHTS

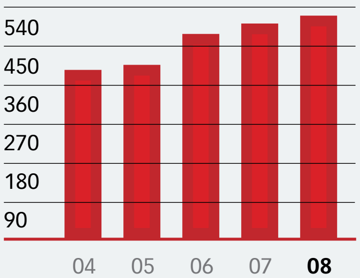
(in millions of Mexican Pesos except per share data)

	2008	2007	% Change
Sales Volume (Millions of Unit Cases) [1]	**509.9**	480.2	6.2%
Net Sales	**20,255**	18,586	9.0%
Gross Margin	**48.2%**	48.6%	
Operating Profit	**3,847**	3,652	5.3%
Operating Margin	**19.0%**	19.6%	
EBITDA [2]	**4,715**	4,472	5.4%
EBITDA Margin	**23.3%**	24.1%	
Net Income	**2,950**	2,484	18.7%
Total Assets	**21,659**	17,240	25.6%
Cash on Hand	**959**	2,758	-65.2%
Total Debt	**2,988**	1,520	96.5%
Stockholders' Equity	**14,659**	12,466	17.6%
Capital Expenditures	**1,435**	1,100	30.4%
Data per share [3]			
Net Income	**3.66**	3.08	
Book Value	**18.19**	15.47	

1 Includes soft drinks and purified water in single-serve formats.
2 Operating income plus depreciation and amortization.
3 Based on 806,019,659 shares outstanding.

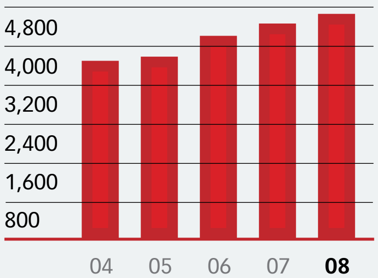
SALES VOLUME
(MILLION OF UNIT CASES)

416.9 435.6 468.0 480.2 **509.9**



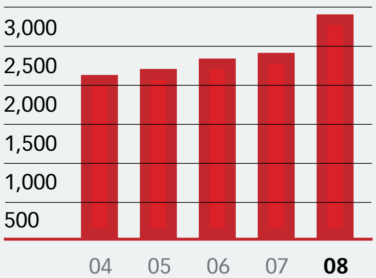
EBITDA*
(IN MILLIONS OF MEXICAN PESOS)

3,553 3,711 4,158 4,472 **4,715**



NET INCOME
(IN MILLIONS OF MEXICAN PESOS)

2,062 2,113 2,292 2,484 **2,950**



*Excludes non-recurring expenses

TO OUR SHAREHOLDERS

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

Dear Shareholders

In 2008, our team's commitment and professionalism in addressing the current challenging environment led the Company to achieve yet another year of positive financial, performance, productivity and market service results.

The initiatives implemented over the past few years to improve our product offerings, increase the efficiency of our operations, implement conservative financial policies and maintain a strict control over costs and expenses have placed us in a favorable position to persevere through the prevailing adverse business climate.

Our solid financial position and our firm dedication to adapting to the dynamic needs of our customers and consumers are the platform on which we will continue to develop opportunities for growth in the beverage sector while we strengthen our complementary businesses, always seeking to create value for our shareholders.

Last year was a turning point in the Company's international history as we acquired two Coca-Cola bottling companies in northern Argentina. Operations began at the facility located in the northeast in May, while the acquisition of the other company, located in the northwest, was finalized at the end of the year.

The 2008 sales volume of the two franchises totaled 119 million unit cases, representing 24 percent of the total operating volume of Arca in Mexico and a similar volume percentage of Coca-Cola's products in Argentina.

Just a few months after entering this new territory, we achieved substantial improvements in diverse areas of operation, reflected in a 3 percentage points increase in our market share. Recent improvements include the installation of cooling equipment and an expansion of product coverage.

Another noteworthy event in 2008 was our participation, together with the Coca-Cola Company and other Mexican bottlers, in a new partnership with Jugos del Valle, a deep-rooted, prestigious Mexican brand that will significantly expand the Company's presence in the juice and nectar market in Mexico.

Our goal of constantly seeking to improve our global position as one of Coca-Cola's most profitable bottling companies led us to record consolidated sales in 2008, which reached 20,255 million pesos, a 9 percent increase over the previous year's figure, and a sales volume of 510 million unit cases.

WE ARE COMMITTED TO DELIVERING CONSISTENTLY POSITIVE RESULTS, WHICH IS WHY THIS YEAR WE ARE PLACING RENEWED EMPHASIS ON THE KEY INITIATIVES FOR THE DEVELOPMENT OF OUR BUSINESS MODEL, SUCH AS SUPERIOR EXECUTION AND CONSTANT PRODUCT AND SERVICE INNOVATION. WE HAVE DOUBLED OUR ANNUAL INVESTMENT IN COOLERS AND CONSOLIDATED OUR OPERATIONS IN ARGENTINA, AMONG NUMEROUS OTHER INITIATIVES, TO BOOST ARCA'S COMPETITIVENESS.

Moreover, operating income rose 5.3 percent to 3,847 million pesos, while operating cash flow improved 5.4 percent to 4,715 million pesos with a 23.3 percent margin. Net income increased 18.7 percent, or 3.66 pesos per share, and 766 million pesos in dividends were distributed among the shareholders.

Since its foundation, Arca has included in its administrative policies the principle of maintaining a solid financial profile with a low level of debt and no involvement in any type of derivative instruments. As of year-end 2008, our net debt to operating cash flow ratio was 0.43.

Thanks to confidence in the Company's performance and future prospects, we recently successfully placed 1,420 million pesos in notes (certificados bursátiles) in the Mexican capital market, which improved our debt profile and helped to strengthen our position in the current economic reality we are facing.

With a focus on constantly increasing our operating efficiency and providing world-class customer and consumer service, we changed our corporate structure in December 2008 to organize our businesses into three main areas: the Mexican Beverage Division, the Arca Argentina Division and the Other Businesses Division. The new structure will allow us to focus more on the specific needs of each business and capitalize on the synergies among all three.

Mexico Beverage Division

In our most important market, our performance is continuing to improve as we work at perfecting our superior market service, offering an innovative product portfolio consistent with the different needs and tastes of our consumers, and enhancing our key business indicators. These efforts are backed by state-of-the-art technology and increasingly efficient operations.

Thanks to projects such as Revenue Growth Management and to the expansion in scope of the Photo of Success Project, we significantly strengthened our market execution in 2008, moving toward micro-segmentation and the optimal management of our extensive product offering, while maximizing the profitability of the different routes and more than 200,000 points-of-sale that we serve every day.

Anticipating changes in the current beverage market dynamics and preferences, we maintained a competitive portfolio with the introduction of 85 new presentations, flavors and packagings, with a strong slant toward water in individual presentations and new categories - both segments in increasing demand by Mexican consumers.

In the single-serve purified water segment, we implemented strategies to improve our point-of-sales presence, which, together with other actions, increased our year-over-year sales volume by 18 percent, making us the leader in this category with positive prospects to extend our presence even further.

Working in conjunction with the Coca-Cola Company, we have made great strides in the development of non-sparkling beverages, achieving an outstanding 89 percent upsurge in sales volume. This growth was a result of introducing new formulations and presentations, as well as beginning the distribution of Jugos del Valle (juices and nectars) in March of last year, which has allowed us to broaden our portfolio and advance almost 10 percentage points in our market share of these products sold in the traditional channel.

An essential part of our organizational culture is the constant pursuit of new alternatives to better serve our customers, be more competitive and learn new ways of working that will take us beyond our current limits. To that end, we recently implemented a set of Route to Market strategies, consisting of a new integral service model that seeks, among many other objectives, to maximize the business's potential, profitability and competitiveness.

Continuing to perfect our operations in 2008, we made progress in improving our operating efficiency, logistics and quality projects in all our territories, achieving a 99.81 percent level of service. This outstanding figure reflects a series of initiatives, including the systemization and improvement of supply chain follow-up indicators and efficiencies in primary transportation, among others.

As we fulfill our objectives in the different areas of the organization, we are confident that we are going in the right direction. Despite the challenges that we are facing, Arca is a stronger, better prepared company than before, with the capacity to adapt rapidly to market circumstances and to remain the number one choice for customers and consumers.

-Manuel L. Barragan Morales-

Arca Argentina Division

In order to replicate our business model in the franchises acquired in northern Argentina, in 2008 we established initial strategies for streamlining operations, expanding the product portfolio and improving point-of-sale execution.

The main ongoing initiatives in these territories include an increase in production and greater use of installed capacity; the introduction of new presentations, particularly in single-serve formats and returnable bottles; an increase in cooling equipment; and the adoption of a process of improving market execution models.

Moreover, during 2009, with the implementation of SAP, we will replicate our IT models and consolidate synergies between the two franchises in northern Argentina and the Mexican Beverage Division. This will allow us to enhance our administrative systems, capitalize on production opportunities and take advantage of economies of scale in the acquisition of raw materials.

These actions are leading to a more robust market presence, which will allow us to gradually gain control of the huge potential of these territories and continue to move toward our objective of becoming one of the leading bottling companies in Argentina.

Other Businesses Division

In order to offer new value propositions in adjacent areas that promise to be profitable and strengthen the leadership of our key business, in 2008 we emphasized the development of our complementary businesses, capitalizing on our closeness to, and the preferences of, our customers and consumers.

The most important accomplishments of this division include the positive evolution of our snack business, Bokados, which posted a 19.4 percent rise in sales, thanks to significant organic growth and a dynamic expansion to new cities and areas, including the Mexico City Valley.

At the beginning of 2009, the new Bokados plant in the northwest of Mexico came on-line. This new production facility will allow us to continue increasing our presence in the region and, at the same time, free up capacity at the Monterrey plant and thus gradually enhance our position on a national level and in some US cities.

Exports of Topo Chico products continued to climb in 2008, with a progressively increasing presence in the United States and a year-over-year growth of 14 percent. The Nostalgia Project, which consists of exporting soft drinks sweetened with sugarcane in glass bottles through Coca-Cola Enterprises and Coca-Cola North America, grew a remarkable 48 percent to a total volume of 4 million unit cases.

At the same time, we have continued to develop our soft drink and snack vending-machine channel, which has turned out to be a highly profitable business, one that brings us very close to the consumer. In 2008, we consolidated our position in this sector by reaching a total of 24 thousand machines in operation, 26 percent more than the previous year.

With regard to the jug water segment, we began operating our new plant, which is equipped with the industry's latest technology, in the metropolitan area of Monterrey. We also continued to integrate all our operations under the Ciel brand, which was reflected in a 6 percent rise in the 2008 sales volume.

Human Capital and Corporate Social Responsibility

Within the framework of the Arca Social Responsibility System, in 2008 we reinforced our commitment to making quality of life at the Company, the development of the communities in which we participate and the protection of natural resources an integral part of our business strategy, ensuring its long-term continuance.

As part of our program for the enhancement of our employees' competitive capabilities, we implemented the Arca Master's Degree in alliance with the Universidad Regiomontana and broadened the scope of our "e-learning" on-line education and training system.

The ongoing participation of the Arca team in initiatives that support a sustainable environment has been outstanding. Activities carried out during the year included the annual Arca Volunteer Day, in which approximately two thousand company associates and their families took on the task of planting nine thousand trees in the different territories in which we operate.

This green project is an extension of the environmental initiatives we have implemented at all our plants and distribution cen-

> The initiatives implemented over the past few years to improve our product offerings, increase the efficiency of our operations, implement conservative financial policies and maintain a strict control over costs and expenses have placed us in a favorable position to persevere through the prevailing adverse business climate and achieve yet another year of positive results.
>
> -Francisco Garza Egloff-

ters to ensure the rational use of water in our operations, and it combines with our work with the Coca-Cola Foundation to protect watersheds.

We also developed the "Schools in Motion" program to promote healthier, more active communities. This program involved the adaptation of multi-purpose sports spaces to encourage physical activity and healthy eating habits among schoolchildren, benefiting more than 21 thousand elementary school pupils during its first phase.

Another of our sports promotion activities, the third Arca Powerade Marathon, boasted a record participation and became the fastest race of its kind in Latin America.

Our actions to further the growth of our employees and society as a whole were rewarded for the sixth consecutive year with the Socially Responsible Company distinction, awarded by the Mexican Center for Philanthropy (CEMEFI); in particular, our Volunteer Program, VOLAR, received the Best Practices Prize in the Quality of Life in the Company category from the same organization.

In the Right Direction

As we fulfill our objectives in the different areas of the organization, we are confident that we are going in the right direction. Despite the challenges that we are facing, Arca is a stronger, better prepared company than before, with the capacity to adapt rapidly to market circumstances and so remain the number one choice for customers and consumers.

We are committed to delivering consistently positive results, which is why this year we are placing renewed emphasis on the key initiatives for the development of our business model, such as superior execution and constant product and service innovation. We have doubled our annual investment in coolers and consolidated our operations in Argentina, among numerous other initiatives, to boost Arca's competitiveness.

Moreover, we will continue our stringent oversight of the use of financial resources and seek new opportunities to reduce costs and expenses in all our operations. These actions have always been a key part of our operations, but will be further emphasized in 2009.

We are grateful for the support in this continuous improvement effort of the Coca-Cola Company, with whom we have partnered to consolidate the leadership position of our products and brands. They are our partner as well in ensuring community well-being and environmental protection.

We would like to express our deepest gratitude to our customers and consumers, the drivers of our daily efforts, for their patronage and trust, as well as to our suppliers, who have played such an important role in our positive evolution as a company.

A fundamental factor in our progress has always been the talent and dedication of the Arca team, whose efforts undoubtedly go beyond individual aspirations to contribute meaningfully to the integral development of the entire organization. We would like to express our most sincere appreciation for their efforts.

We would also like to thank the Board of Directors and the shareholders for their trust and for encouraging us to grow as a company that is increasingly efficient, agile and well positioned in the markets we serve.

We would like to reiterate our commitment to, and clear focus on, the development of new opportunities for profitable growth, in the knowledge that our optimal human, technological and operational elements will lead us forward toward our goals as an organization.

Manuel L. Barragan Morales
Chairman of the Board

Francisco Garza Egloff
Chief Executive Officer

2008 A YEAR OF ACHIEVEMENTS

In 2008, sales reached an unprecedented 20,255 million pesos, 9% higher than the previous year.

Operating income rose 5.3% to 3,847 million pesos, while operating cash flow improved 5.4% to a total of 4,715 million pesos, resulting in a margin of 23.3%.

Internationally, the most noteworthy event of the year was our acquisition of two Coca-Cola bottling companies in northern Argentina.

In alliance with the Coca-Cola Company and other Mexican bottlers, we entered into a new partnership with Jugos del Valle.

Mexico Beverage Division

- The actions we implemented to perfect our already superior market service helped us to continue improving our operating performance.
- We introduced over 85 new launches of products, packagings and presentations, focusing on water in individual bottles and new categories.
- We increased the sales volume in our personal purified water segment by 18%, positioning us as one of the leaders in this category.
- We recently implemented "Route to Market" strategies, an integral service model that seeks to maximize the business's potential, profitability and competitiveness.

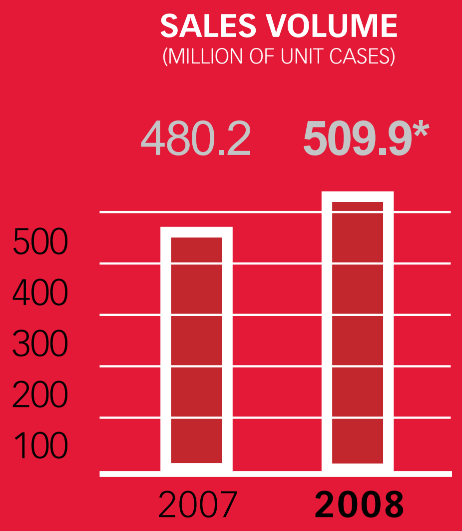
Arca Argentina Division

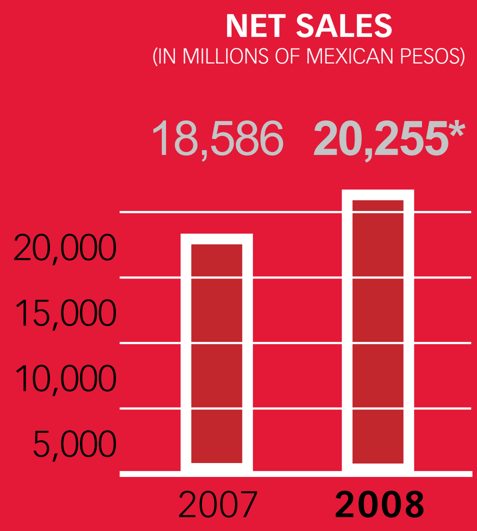
- We established the initial strategies for streamlining operations, expanding our product portfolio and improving point-of-sale performance in the new territories.
- Among the main initiatives implemented include enhancing production and use of installed capacity and also improve our IT models.

Other Businesses Division

- Our snack business, Bokados, posted a remarkable 19.4% growth in sales, reflecting significant organic growth and a dynamic expansion to new cities and areas, including the Mexico City Valley.
- At the beginning of 2009, the new Bokados plant located in the northwest of Mexico came on line, which will allow us to continue increasing our presence in the region.
- We continued to develop our vending-machine channel, reaching a total of 24 thousand machines in operation, a figure that is 26% more than the previous year.
- Exports of our Topo Chico products to the United States continued to grow, increasing 14% year-over-year.

Our aim is to constantly develop new growth opportunities that will allow us to improve our position as one of Coca-Cola's most profitable bottling companies worldwide.
Although we were operating in a challenging setting, 2008 was a year of expansion and important achievements for the Company. The completion of projects focused on total customer and consumer satisfaction, together with an increase in productivity and operational efficiency, made us a more competitive organization with a solid platform for future growth.





*It includes results from May to December of Argentina's Northeastern territory.

MEXICO

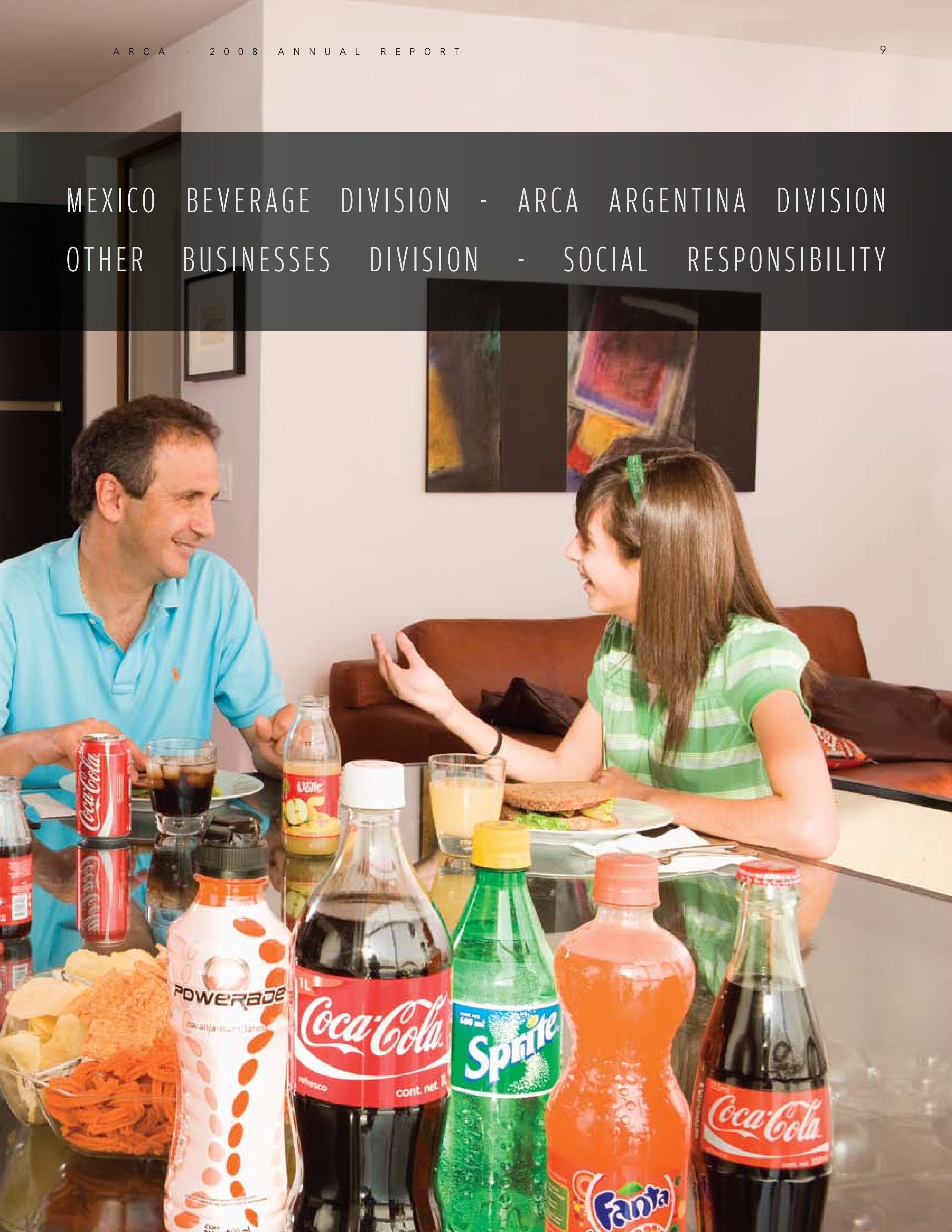
Sales volume: **486.4 MUC**
Population served: **16 million inhabitants**
Points-of-sale: **214 thousand**
Production plants: **13**

ARGENTINA

Sales volume: **119.0 MUC**
Population served: **9 million inhabitants**
Points-of-sale: **76 thousand**
Production plants: **4**

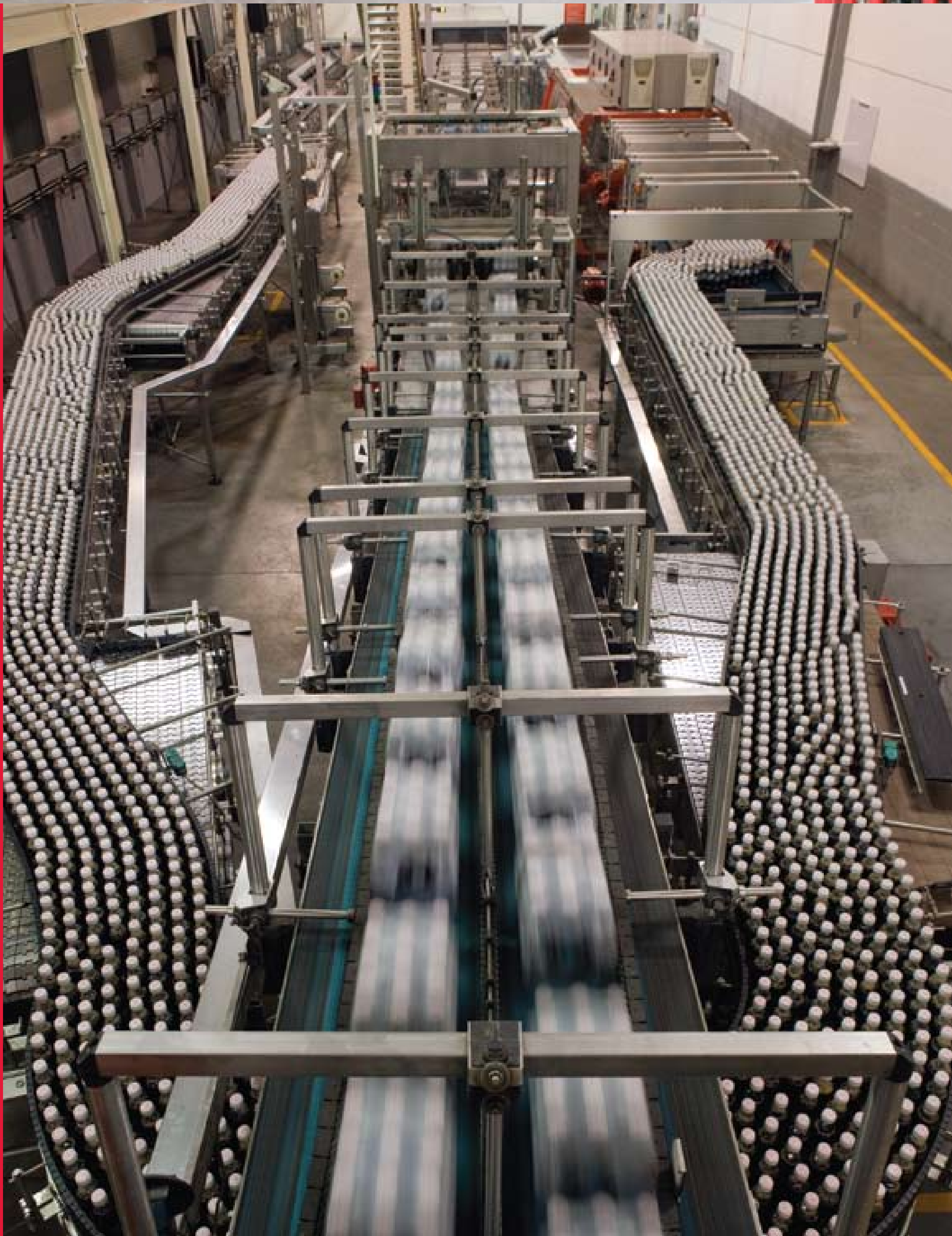
EXPANDING GROWTH OPPORTUNITIES

MEXICO BEVERAGE DIVISION - ARCA ARGENTINA DIVISION
OTHER BUSINESSES DIVISION - SOCIAL RESPONSIBILITY



MEXICO BEVERAGE DIVISION

We have responded with agility to the current dynamic beverage market by offering product and presentation innovations and price alternatives, while continuing to perfect our point-of-sales execution and service strategies and enhancing our operational efficiency.



Our constant dedication to providing our customers and consumers with the best possible product has allowed us to endure what was an extremely difficult year in the global economic setting. We have the necessary tools, the most precise technology and, most importantly, experienced associates who work enthusiastically to reach our goals and objectives. These characteristics are the invaluable foundation of a world-class company like Arca.

Our ongoing strategies to offer customers and consumers new products and promotions to satisfy their needs and preferences, such as the introduction of innovative alternatives like the Gladiator energy drink, the relaunch of Coca-Cola Zero, Powerade, a new, more complete line of Zero with Fanta, Sprite and Manzana Lift, and beverages in new flavors have allowed us to maintain our position as the best option in the market.

Sales of purified water in single-serve formats have grown significantly. In this segment, in 2008 we continued to implement actions aimed basically at enhancing our point-of-sale execution with a new bottle design, a national positioning campaign, multipacks for the contemporary channel and a greater presence with additional display stands for both cold and room-temperature products for over half our customers.

These initiatives resulted in an 18% increase in volume compared with the previous year, positioning us as category leader in many of our territories and giving us additional opportunities to expand in this market.

In order to consolidate new alternatives for profitable growth, during 2008 we worked particularly hard to boost the non-sparkling beverage segment, an extremely dynamic sector that has been well accepted by consumers.

During March 2008, we began distributing Jugos del Valle products in our territories with highly positive results. This alliance with the Coca-Cola Company and the other Mexican bottlers will allow us to increase our participation in the non-sparkling segment, thanks to the brand's long tradition and prestige.

Our entry into the juice and nectar segment has allowed us to reinforce our position in the traditional channel with the introduction of new products, such as ValleFrut, an affordable orange-flavored drink that has been very well accepted in the markets in which it was launched, contributing to a 10 percentage points increase in our market share in this channel.

As part of our new category promotion efforts, the new formulas and presentations of Powerade and Nestea translated into a remarkable 22% and 31% increase respectively in the 2008 sales volumes of these products. We recently launched Glaceau Vitamin Water, a premium brand of practical water that targets high-end consumers and is initially being distributed in Monterrey.

In order to respond to the current market conditions that demand increasingly precise, well-controlled sales efforts, in 2008 we consolidated Revenue Growth Management and Photo of Success initiatives, which will allow us to identify new opportunities to offer a differentiated service and to initiate value dialogues to support our customers' business efforts.

As a part of our permanent commitment to developing new models that will strengthen our distribution and sales mechanisms and increase our long-term sustainable competitiveness, we recently implemented the Route-to-Market project, which offers an excellent opportunity to perfect our customer service, manage a broad range of products and presentations more efficiently, and optimize the corresponding costs, among many other advantages.

As a part of our Nostalgia Project, which consists of exporting soft drinks sweetened with sugarcane in a glass bottle through Coca-Cola Enterprises and Coca-Cola North America, we implemented a program to streamline product purchase order management and follow-up using electronic media and a direct interface with our information systems. This will contribute to further enhancing sales, which reached a total of 4 million unit cases in 2008, a remarkable 48% above the previous year.

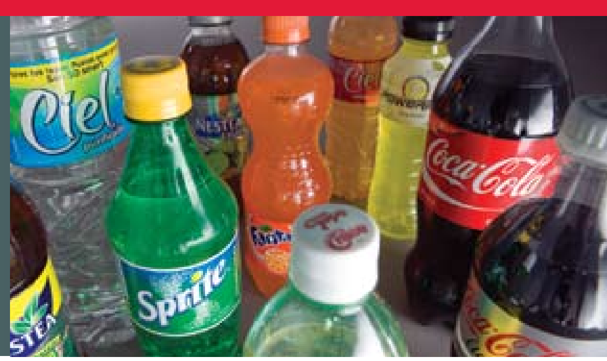
More efficient operations and state-of-the-art information systems and technology are a fundamental part of maintaining and fortifying our leadership position as a total beverage company, since they help us to perfect our level of service, enhance productivity and give us greater control over resources and working capital.

Primary transportation productivity increased 23.6% in 2008, through the implementation of drop & hook operating methods in some cities, together with initiatives such as an appointment system and dedicated teams for route specialization, which combined to reduce freight cost per original case by 2.5%.

As far as other initiatives aimed at increasing operating efficiency are concerned, we made progress with the synchronization of our Supply Chain through the systematization and improvement of planning and execution follow-up indicators for each of the operating processes involved.

These actions allowed us to increase the level of service by 0.04 percentage points from 99.76% in 2007 to 99.81% in 2008, which has generated an additional marginal sales volume of 189,280 unit cases and allowed us to efficiently meet the needs of the 85 launches of new products, packagings and presentations implemented in 2008.

This year, we began the process of standardizing operating processes and structures at our warehouses. These are backed by modern training tools, such as "e-Learning", which increases scope and effectiveness through an online platform.



In order to consolidate new alternatives for profitable growth, during 2008 we worked particularly hard to boost the non-sparkling beverage segment, an dynamic sector that has been well accepted by consumers.

With regard to information technologies, in 2008 we implemented a project to strengthen and streamline our finished-product warehouse operations in all our territories, using state-of-the-art technology, the SAP Warehouse Management System, and radiofrequency and terminal equipment, in order to reinforce inventory control and further improve its rotation, thus speeding up the route service process.

In order to standardize and streamline the transactional processes that are common to all Arca companies, we established the Shared Service Center initiative, which will give us greater cost efficiency and improved levels of service through the implementation of production concepts (total quality, continuous improvement and organization) in the administrative areas using our existing technological infrastructure.

Moreover, we successfully completed the modernization of our Commercial System for sales and distribution processes by upgrading the Progress Software platform to the 10.1b version. This action strengthens one of Arca's critical information systems, and our technological platform with a robust principal application and enhanced database positions us at the forefront of the market.

During the year, Jugos del Valle products were fully integrated into Arca's commercial systems and processes, and are now managed with state-of-the-art, hand-held equipment. Additionally, the results of the first phase of the project to generate online orders in the contemporary channel showed a substantial improvement in route productivity and warehouse management.

We have an interesting product portfolio, an extensive distribution network and the financial soundness to face up to the current highly volatile setting and economic downturn. We will focus our efforts on offering our consumers a competitive cost structure with a broad product portfolio that is both competitive and profitable, while strictly controlling costs, expenses and working capital.

ARCA ARGENTINA DIVISION

One of Arca's most important initiatives in 2008 was to initiate a process of international expansion with the acquisition of two Coca-Cola bottlers in northern Argentina. We have already begun to implement our best practices of operating efficiency and market execution in these new territories.

The purchase of the facilities and startup of operations in Argentina were carried out in two phases. We began operating the company located in the northeast in May 2008, while the acquisition of the other company, located in the northwest, was finalized at the end of the year. The sales volume of these two franchises represents 24 percent of Arca's total sales volume in Mexico and a similar percentage of Coca-Cola's products in Argentina.

We are focusing on capitalizing on the great potential that these two territories represent for Arca in terms of mixes, prices, formats, packaging, market share and the introduction of new flavors, as well as other areas of growth. Our first actions included the implementation of initiatives to enhance the profitability of the new businesses.

Going forward, the Company plans to include investing in refrigeration equipment, introducing new single-serve and returnable presentations, increasing advertising and expanding production capacity, as well as other initiatives, in order to grow the Argentina operations and make them more efficient. These actions will also help us to better understand the market and points of sale, and thereby position us to offer our customers and consumers quality products and services more rapidly and efficiently, performing as we have always done in our Mexican territories.

We also began to integrate the Arca Argentina Division into the Company's central technological platform. The integration process will involve the interconnection of communication networks and basic information systems, such as SAP and the commercial system. The latter includes capabilities for segmentation, the automation of the sales force and market auditing, tools that will be fundamental for achieving the objectives that we have set.

Only a few months after the implementation of some of these actions, we can already see very positive results. For example, our market share has grown, which shows that our business model is leading us in the right direction by improving our Argentina operations.

During 2009, we will continue to implement initiatives such as expanding refrigerator coverage, launching new flavors, increasing single-serve presentations and driving diet segments and new categories. We will also seek to establish value dialogues with our customers and consumers through an increasingly well-trained and professional sales force.

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OTHER BUSINESSES DIVISION

Committed to the continuous improvement and long-term profitability of our company, we are focused on constantly offering new value propositions for our customers and consumers in order to strengthen our core business and open up growth opportunities in related segments.

In the snacks business, the Bokados brand continued to gain strength in the market, reflecting initiatives implemented during the year both to drive its organic growth and to expand its coverage nationwide. As a result, year-over-year sales grew 19.4 percent.

Bokados continues with its aggressive plan to open branches in the northern and central regions of Mexico, especially in Mexico City, where these products were introduced successfully. By year-end 2008, 28 distribution centers were operating with 680 active routes in 25 different Mexican urban centers.

At the beginning of 2009, the new plant in northwestern Mexico began operating. This facility will supply the surrounding region, freeing up production capacity at the Monterrey plant and thereby enhancing product availability for current outlets in the Monterrey area and future locations.

In our efforts to modernize, consolidate and increase the efficiency of all our business processes, we completed the implementation of the new SAP ERP information technology platform, which will optimize the centralized control and financial consolidation processes. We also began updating our hand-held equipment and obtained ISO-9001-2000 certification for our facilities.

Another important initiatives implemented by this division during 2008 were the launch of the B-Ok brand of healthy snacks. The market responded positively to this new line. Also we were able to double product availability for exports.

During the year, we continued with our project to expand the vending machine business, a channel with great growth potential. As of the close of 2008, we had more than 24 thousand machines in operation, a year-over-year growth of 26 percent. Of the total vending machines, 18,653 are for drinks (positioning us as the domestic leader in this channel), and 4,730 are for snacks.

In 2009, we will continue to implement state-of-the-art technologies to optimize routes and maximize the revenues of our sales teams, seeking to enhance productivity in compensation for the contracted economic environment.

With regard to our progress in the Ciel jug water segment, the new plant in the metropolitan area of Monterrey came online during the second half of 2008. This production facility has leading-edge technology, as well as a range of new capabilities, such as a new telecommunications platform and call center to improve the automated ordering service.

The new capacity in Monterrey enables us to manage the significant increase in volume more efficiently, enhancing customer service and ensuring we continue to be a differentiated value option in this competitive market.

Despite the adverse economic conditions in the United States, Arca's total exports through our Interex business rose 15.4 percent in units. This year-over-year growth was driven by a 14 percent upswing in Topo Chico products and an outstanding rise in the sales of Bokados snacks, reflecting increased product acceptance and expansion to new territories in the Hispanic market there.

SOCIAL RESPONSIBILITY

In 2008, Embotelladoras Arca reiterated its permanent commitment to Mexico. We continued to contribute decisively to the country's integral growth by participating in innovative projects and solutions that enhance the quality of life of its people and promote the creation of increasingly sustainable communities.

An essential part of our sustainability model is our commitment to ensuring that our operations are efficient, and that they protect and preserve the environment. To this end, we are integrating the principles of green leadership and sustainable development in all our business decisions and processes.

Arca's long-established organizational culture views personal growth as an integral part of the continuous improvement of our business, encourages the exchange of best practices and focuses specific efforts on the development of competitive capabilities in our human resources.

During 2008, in alliance with the Universidad Regiomontana, we strengthened our institutional training and development program with the initiation of the Arca Master's Degree, which emphasizes the specific competencies that our company requires in areas such as business administration, marketing, logistics and execution.

Our "e-Learning" on-line training model also continued to broaden its scope as an effective tool for enhancing the professional growth of our associates and for increasing the organization's competitiveness.

Since its formation, Arca's Volunteer Program, VOLAR, has been the foundation of our community and environmental actions. Arca's annual Volunteer Day brought together approximately two thousand members of the Arca team who, together with their families and members of the community, took on the task of planting more than nine thousand trees in the different localities in which the Company operates.

One of the most outstanding features of the Arca programs directed to building a more active society is our constant promotion of a culture of physical and integral well-being. Through a series of initiatives, we are helping to prevent and alleviate public health problems, collaborating in the construction of healthier communities while forming alliances for the common good.

The "Schools in Motion" program is one of the main components of our physical activity and sports promotion program. This project has three basic objectives: the refurbishment of sports spaces to facilitate the practice of physical education programs in schools; the promotion of physical activity and the practice of sports as a way of life; and the creation of a greater awareness of the importance of healthy eating habits among students and their parents. The first phase of the project has benefited more than 21 thousand elementary schoolchildren.

Arca also plays a decisive role in related initiatives to promote the development of communities that are more sports oriented and less sedentary. One of the most successful of these initiatives is the Arca Powerade Marathon, which has achieved a new record-high participation every year and become one of the fastest races in Latin America. It also fulfills the parallel objective of economically benefiting the diverse social welfare institutions that collaborate in this event.

Furthermore, our promotion of the Coca-Cola Cup, considered the most important soccer tournament of its kind in Mexico, is an important platform for fomenting healthy lifestyles among Mexico's young people, one of the crucial pillars for the nation's growth.

An essential part of our sustainability model is the commitment to ensuring that our operations are efficient, and that they protect and preserve the environment. To this end, we are integrating the principles of green leadership and sustainable development in all our business decisions and processes.

One of the most important environmental protection programs undertaken in 2008 was the implementation of our second tertiary system to treat and reuse the waters discharged from our Hermosillo operations by the Industrial Wastewater Treatment Plant, as well as the development of strategies to mitigate source water vulnerability, the initial stage of our Source Water Protection Plan (SWPP).

The determined efforts of our employees to contribute actively to improvements in all spheres of the community were recognized for the sixth consecutive year with the Socially Responsible Company distinction, awarded by the Mexican Center for Philanthropy (CEMEFI). In addition, VOLAR received the Best Practices Prize in the Quality of Life in the Company category from the same organization.

SENIOR MANAGEMENT

Francisco Garza Egloff (54) Chief Executive Officer of Arca since January 2003. During the previous 26 years, he held various positions at Alfa including Chief Executive Officer of Akra, Petrocel-Temex and Polioles of the petrochemical division. Mr. Garza has a degree in Chemical Engineering from Tecnologico de Monterrey and has taken several post-graduate courses at IPADE.

Leonel Cruz Martinez (56) Vice President of Human Capital and Quality of Arca since December 2008. Previously, he was Vice President of Operations. 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 Vice President of Operations of Argos. Mr. Cruz has a Bachelor's Degree in Business Administration from the Universidad de Sonora and a Master's in Agricultural Economics from the Colegio de Postgraduados.

Jose Luis Gonzalez Garcia (57) Vice President of Marketing and Innovation at Arca 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.

Alejandro Gonzalez Quiroga (47) Vice President of Arca's Argentina Division since May 2008. Previously, he was the General Manager of the Fronteras and Monterrey Zones of Arca in Mexico. He began his career at Grupo Procor in 1987, supporting all of the bottling plants in Monterrey. Mr. Gonzalez has a Bachelor's degree in Business Administration from the Universidad Regiomontana and has taken several post-graduate courses at IPADE.

Manuel Gutierrez Espinoza (56) Vice President of Planning since 2008. Among his responsibilities are the areas of Strategic Planning, Information Technology, Procurement, and Productivity Projects. He holds a degree in Mechanical & Industrial Engineering from Tecnologico de Monterrey, an MBA from MIT and over 30 years of experience at Alfa and Hylsa in the areas of planning, control, information, procurement, acquisitions and divestitures, strategic alliance development and expansion projects.

Arturo Gutierrez Hernandez (43) Vice President of Mexico Beverages Division since December 2008 and Secretary of the Board of Directors since 2001. Member of the Board of Directors of Jugos del Valle. Previously, he was Vice President of Human Resources and Planning, Vice President of Corporate Planning and General Counsel of Arca. Before joining the Company, he worked as corporate counsel for Alfa. Mr. Gutierrez has a law degree from the Escuela Libre de Derecho and a Masters of Laws from Harvard University.

Emilio Marcos Charur (44) Arca's Vice President of Other Businesses Division since January 2007 which includes Topo Chico, Interex (exports), Vending Machine, Bokados, Industrial de Plasticos Arma (IPASA) and Jug Water operations. Prevously, he was Treasury and Procurement Manager. He has an industrial engineering degree from Tecnologico de Monterrey and an MBA from the University of Illinois.

Jaime Sanchez Fernandez (38) General Counsel of Arca since December 2008 and Alternate Secretary of the Board of Directors. Previously he was Corporate Legal Manager of Arca. Prior to joining the Company, he worked for Alfa as corporate counsel and practiced law independently. Mr. Sanchez has a Law Degree from the Universidad de Monterrey and a Masters of Laws from Michigan University.

Adrian Wong Boren (58) Chief Financial and Administrative Officer since 1994. Previously, he was a full-time professor at San Diego State University, Tecnologico de Monterrey, and part time professor at the University of California and Virginia Tech. Mr. Wong has an Accounting degree from Universidad de Coahuila, an MBA from Tecnologico de Monterrey, and a Ph.D. from Virginia Tech.

BOARD OF DIRECTORS

Manuel L. Barragan Morales (58) 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 (84) Honorary Chairman and Member of the Movimiento de Promocion Rural.

Luis Arizpe Jimenez (47) 1,P Vice Chairman of the Board of Directors of Arca since 2008. Chairman and Chief Financial Officer of AKANOS and MCM. Chairman of the Board of Saltillo Kapital; Board Member of Fabricas El Carmen; President of the Mexican Red Cross, Saltillo delegation; President of the Offering Committee for the Diocese of Saltillo; Vice President of COPARMEX, of Southeast Coahuila; Board Member and Treasurer of Desarrollo Rural de Saltillo; Former President of CANACINTRA of Southeast Coahuila.

Tomas A. Fernandez Garcia (37) 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 (34) 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.

Emilio Jose Arizpe Narro (60) 1,P Member of the Board of Directors of Arca since 2008.

Rodolfo Jose Arizpe Sada (57) 1,C Member of the Board of Directors of Arca since 2008. He is President and CEO of Centro Avemed S.A. de C.V.

Alfonso J. Barragan Treviño (51) 1,C Member of the Board of Directors of Arca since 2002. Founder and Chairman of the Board of Directors of Eon Corporation, Mcliff Corporation, Eon Mexico, S.A. de C.V. and President of Movimiento de Promocion Rural, A.C.

Fernando Barragan Villarreal (78) 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 (55) 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 33-year career at Alfa. He is a member of the Board of Banco Regional de Monterrey, Nemak, Indelpro, Polioles and Alestra.

Luis Raul Fernandez Iturriza (54) 1,P Member of the Board of Directors of Arca since 2008. President of Sistema Axis, President and CEO of Grupo Novamex, Board Member of Fabrica de Envases de Vidrio Mexicali, as well as Bancomer, Desarrollo Economico de Ciudad Juarez and Fundacion del Empresariado Chihuahuense. He was formerly CEO and Project Manager of Embotelladora de la Frontera at Argos.

Ulrich Fiehn Buckenhofer (63) 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 (53) 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 and Board Member of Universidad de Monterrey.

Rafael Garza-Castillon Vallina (52) 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 (52) 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 (55) 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 (48) 2,C Member of the Board of Directors of Arca since 2001. Member of the Board of Telefonos de Mexico and Grupo Industrial Saltillo where he was formerly Co-chairman of the Board of Directors and Vice President of Operations.

Fernando Olvera Escalona (76) 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. President of Promocapital. Former CEO of Grupo Protexa, 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 (57) 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 (35) 2 Member of Arca's Board of Directors since 2007. Executive 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 (61) 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 (43) Secretary of the Board of Arca since 2001 and current Vice president of Mexico Beverages Division. Former Secretary of the Board of Directors at several Alfa companies.

Board Members:
1 Shareholder
2 Independent

Committees:
A Audit and Corporate Practices
C Compensation
P Planning

FINANCIAL REVIEW CONTENTS

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

Management's Discussion and Analysis of Financial Results

SALES

Total sales volume for soft drinks and single serve purified water increased 6.2% in 2008, reaching 509.9 MUC. The Beverage Division - Mexico represented 1.3% of this increase, while the remaining 4.9% stemmed from the bottler in Northeastern Argentina (NEA) acquired in May 2008. The average price per unit case in Mexico rose 3.4% year over year, due to selective price adjustments made throughout the year. In 2008 net sales were up 9.0%, from Ps. 18,585.8 million in 2007 to Ps. 20,255.3 million in 2008, with Mexico and NEA representing 4.7% and 3.8%, of that increase, respectively.

COST OF SALES

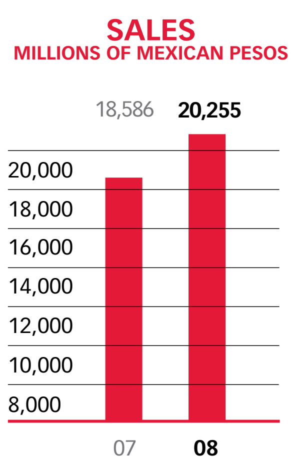
Cost of goods sold for 2008 rose 9.9% with respect to 2007, reaching Ps. 10,493.9 million. Of this increase, NEA represented 4.8% while the Beverage Division - Mexico represented 4.6%. The cost per unit case in 2008 for the Beverage Division - Mexico was Ps. 19.9, which was 3.3% higher than the previous year, due mainly to an increase in concentrate costs as well as the devaluation of the peso versus the dollar, which impacted PET resin prices, offset partially by a decline in the average price of sweeteners. The consolidated gross margin for 2008 was 48.2%, while for the Beverage Division - Mexico, the gross margin was 48.6%.

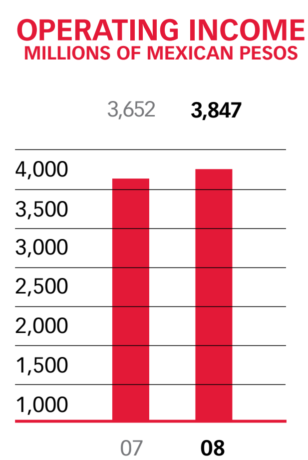
OPERATING EXPENSES

During 2008 operating expenses grew 9.8% to Ps. 5,914.7 million. The Beverage Division - Mexico represented 5.9% of this increase while NEA represented 3.4%. In the soft drink business in Mexico, operating expenses as a percentage of sales was 28.9%, slightly above the 28.6% registered in 2007. Selling expenses increased 9.8% from Ps. 4,332.1 million to Ps. 4,755.0 million, year over year, mainly as a result of the incorporation of Jugos del Valle sales force and, to a lesser degree, the higher sales volume. Administrative expenses rose 9.7% when compared to 2007, from Ps. 1,057.1 million to Ps. 1,159.7 million in 2008, primarily due to the incorporation of the NEA operations.

OPERATING INCOME AND EBITDA

Operating income increased 5.3%, from Ps. 3,652.1 million in 2007 to Ps. 3,846.7 million in 2008, representing a margin of 19.6% and 19.0%, respectively. Operating income for the Beverage Division - Mexico rose from Ps. 3,574.6 million to Ps. 3,697.5 million with margins of 19.9% and 19.7%, respectively. Furthermore, consolidated EBITDA increased 5.4%, from Ps. 4,471.8 million in 2007 to Ps. 4,715.5 million in 2008, representing a margin of 23.3%. Lastly, EBITDA for the Beverage Division - Mexico went from Ps. 4,369.4 million in 2007 to Ps. 4,528.9 million in 2008, representing margins of 24.3% and 24.1%, respectively.





INTEGRAL FINANCING RESULT

The integral financing result rose from an expense of Ps. 28.2 million in 2007 to an income of Ps. 23.7 million in 2008, mainly derived from an exchange rate gain of Ps. 98.2 million as a result of a long dollar position.

OTHER INCOME, NET

In 2008, the Company reported other income of Ps. 227.2 million, versus Ps. 98.3 million registered in 2007, mainly due to the sale of brands to The Coca-Cola Company and to a lesser extent to the recovery of an income tax return from previous fiscal years. In addition, employee profit sharing is included and rose from Ps. 205.9 million in 2007 to Ps. 228.7 million in 2008.

INCOME TAX PROVISION

The effective rates for income tax provisions were 30% and 24% in 2007 and 2008, respectively. Income tax declined from Ps. 1,046.6 million in 2007 to Ps. 937.1 million in 2008.

NET INCOME

Net income for 2008 was Ps. 2,950.1 million or Ps. 3.66 per share, which was 18.7% higher than the Ps. 2,484.5 million registered in 2007.

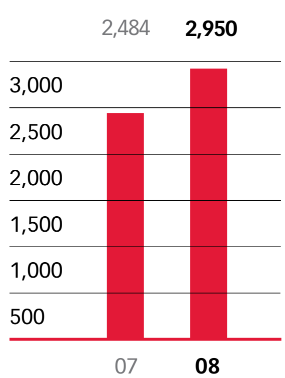
CASH BALANCE AND OPERATING CASH FLOW

As of December 31, 2008, the Company had a cash position of Ps. 958.7 million and debt of Ps. 2,987.5 million, resulting in a net debt of Ps. 2,028.9 million. The net cash position generated by the operation in 2008 reached Ps. 3,608.8 million, due mainly to the improved operation results for the year.

INVESTMENTS

Arca's investment activity was mainly allocated towards the acquisition of the two bottlers in Argentina, the Company's participation in Jugos del Valle and investments in fixed assets, which totaled Ps. 1,434.6 million in 2008 and went primarily towards increasing production capacity of NR products in the Pacific zone, the construction of buildings to place bottle injection and blowing equipment, a residual water treatment plant and regular maintenance and replacement of plant and equipment, as well as the installation of coolers and vending machines.

NET INCOME
MILLIONS OF MEXICAN PESOS



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

Consolidated Balance Sheets

(In millions of Mexican Pesos)

December 31,	**2008**	2007	2006	2005	2004
Assets					
Current assets:					
Cash and temporary investments	**959**	2,758	2,562	2,105	1,991
Trade accounts receivable	**928**	738	716	565	496
Other accounts receivable	**279**	251	233	298	246
Inventories	**1,491**	996	965	936	1,043
Prepaid expenses	**70**	54	67	62	53
Total current assets	**3,727**	4,797	4,543	3,966	3,829
Investment in shares	**766**	122	89	135	120
Property, plant and equipment, net	**10,929**	9,182	8,838	8,496	8,371
Goodwill, net	**4,521**	2,534	2,269	2,269	2,251
Other long-term accounts receivable	**-**	-	170	230	322
Employee benefits	**14**	-	-	-	-
Other assets	**1,702**	605	334	347	169
Total assets	**21,659**	17,240	16,243	15,443	15,062
Liabilities and Stockholders' Equity					
Current liabilities:					
Current portion of long-term debt	**2,488**	1,011	12	12	13
Suppliers	**1,116**	980	685	626	650
Other accounts payable and accrued expenses	**824**	727	619	535	671
Total current liabilities	**4,428**	2,718	1,316	1,173	1,334
Long term debt	**500**	509	1,577	1,653	1,723
Employee benefits	**-**	87	234	312	155
Deferred employees' profit sharing	**86**	96	35	-	-
Other deferred liabilities	**203**	-	-	-	-
Deferred income tax	**1,783**	1,364	1,298	1,163	1,201
Excess of book value over the cost of shares	**-**	-	-	-	3
Total liabilities	**7,000**	4,774	4,460	4,301	4,416
Stockholders' equity:					
Capital stock	**4,698**	4,698	4,698	4,698	4,698
Additional paid in capital	**725**	725	721	678	674
Retained earnings	**9,236**	9,477	8,709	8,014	7,506
Deficit from restatement	**-**	(2,434)	(2,345)	(2,248)	(2,232)
Total stockholders' equity (majority interest)	**14,659**	12,466	11,783	11,142	10,646
Minority interest	**-**	-	-	-	-
Total liabilities and stockholders' equity	**21,659**	17,240	16,243	15,443	15,062

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

Consolidated Statements of Income

(In millions of Mexican Pesos)

December 31,	**2008**	2007	2006	2005	2004
Sales volume (MUC)	**509.9**	480.2	468.0	435.6	416.9
Net sales	**20,255**	18,586	17,298	15,812	15,468
Cost of sales	**(10,494)**	(9,545)	(8,947)	(8,145)	(7,844)
Gross margin	**9,761**	9,041	8,351	7,667	7,624
Selling expenses	**(4,755)**	(4,332)	(3,922)	(3,633)	(3,708)
Administrative expenses	**(1,159)**	(1,057)	(1,010)	(1,047)	(1,186)
Operating income (excludes non-recurring expenses)	**3,847**	3,652	3,419	2,987	2,730
Non-recurring expenses[1]	**-**	-	(20)	(47)	(163)
	3,847	3,652	3,399	2,940	2,567
Other (expenses) income, net[2]	**(1)**	(108)	(150)	(70)	232
Comprehensive financing income (cost):					
Interest (expense) income, net	**(74)**	2	52	32	(32)
Exchange gain (loss), net	**97**	11	2	(37)	(14)
Loss from monetary position	**-**	(41)	(39)	(16)	(4)
	23	(28)	15	(21)	(50)
	3,869	3,516	3,264	2,849	2,749
Equity in income (loss) of associated companies and minority interest	**18**	15	(7)	2	6
Income before provision for income tax	**3,887**	3,531	3,257	2,851	2,755
Provision for Income tax	**(937)**	(1,047)	(965)	(738)	(693)
Consolidated net income	**2,950**	2,484	2,292	2,113	2,062
Number of shares (thousands)	**806,020**	806,020	806,020	806,020	806,020
Depreciation and Amortization	**869**	820	739	724	823
EBITDA (excludes non-recurring expenses)	**4,715**	4,472	4,158	3,711	3,553
CAPEX	**1,435**	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 expenses line, to which for comparison purposes, the corresponding reclassification was made for 2006, 2005 and 2004.

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

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 NAGA 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 Audit 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 Audit 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 Audit 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

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

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

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

Monterrey, N. L., Mexico, March 17, 2009

We have examined the accompanying consolidated balance sheets of Embotelladoras Arca, S. A. B. de C. V. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income and of changes in stockholders' equity for the years then ended; we have also audited the consolidated statements of cash flows and of changes in financial position for the years ended December 31, 2008 and 2007, respectively. 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 misstatements and that they were prepared in accordance with Mexican Financial Reporting Standards. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the standards of financial information 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 aforementioned consolidated financial statements 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, 2008 and 2007, and the consolidated results of their operations and the changes in their stockholders' equity for the years then ended, and their cash flows and the changes in their financial position for the years ended December 31, 2008 and 2007, respectively, in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers

C. Arreola

Carlos Arreola Enriquez
Audit Partner

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

Consolidated Balance Sheets

At December 31, 2008 and 2007 (Notes 1 and 2) (Thousands of Mexican pesos of December 31, 2008, see Note 2)

		2008		2007
Assets				
Current assets:				
Cash and temporary investments	Ps	958,655	Ps	2,757,562
Trade accounts receivable (net of allowance for doubtful accounts of Ps 22,176 in 2008 and Ps 15,535 in 2007)		927,779		737,835
Other accounts receivable		279,723		251,059
Inventories (Note 3)		1,490,879		996,417
Prepaid expenses		69,896		54,332
Total current assets		3,726,932		4,797,205
Investment in shares (Note 4)		765,836		121,622
Property, plant and equipment, net (Note 5)		10,929,038		9,181,655
Goodwill, net (Note 7)		4,521,134		2,534,253
Employee benefits (Note 10)		14,540		-
Other assets (Note 8)		1,701,695		605,200
Total assets	Ps	21,659,175	Ps	17,239,935
Liabilities and Stockholders' Equity				
Current liabilities:				
Suppliers	Ps	1,115,713	Ps	979,267
Current portion of long-term debt (Note 9)		2,487,527		1,011,340
Other accounts payable and accrued expenses		601,482		435,619
Employees' profit sharing payable (Note 13)		222,939		220,262
Income tax payable (Note 14)		-		71,180
Total current liabilities		4,427,661		2,717,668
Long-term debt (Note 9)		500,000		509,125
Employee benefits (Note 10)		-		86,516
Deferred employees' profit sharing (Note 13)		85,771		96,066
Other deferred liabilities (Note 11 c)		203,077		-
Deferred income tax (Note 14)		1,783,284		1,364,469
Total liabilities		6,999,793		4,773,844
Stockholders' equity (Note 12):				
Contributed capital stock		4,697,989		4,697,989
Additional paid-in capital		725,095		725,286
Retained earnings		9,036,449		9,482,820
Cumulative translation adjustment of foreign subsidiaries		199,697		5,133
Charge to stockholders' equity for labor obligations (Note 2 j)		-		(10,760)
Deficit from restatement		-		(2,434,525)
Total majority interest		14,659,230		12,465,943
Minority interest		152		148
Total stockholders' equity		14,659,382		12,466,091
Contingencies and commitments (Note 11)		-		-
Subsequent event (Note 19)		-		-
Total liabilities and stockholders' equity	Ps	21,659,175	Ps	17,239,935

The accompanying nineteen notes are an integral part of these consolidated financial statements, which were authorized for issuance on March 17, 2009 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 Statements of Income

For the years ended December 31, 2008 and 2007 (Notes 1 and 2) (Thousands of Mexican pesos of December 31, 2008, see Note 2)

		2008		2007
Net sales	**Ps**	**20,255,300**	Ps	18,585,803
Cost of sales		**(10,493,853)**		(9,544,570)
Gross margin		**9,761,447**		9,041,233
Administrative expenses		**(1,159,716)**		(1,057,061)
Selling expenses		**(4,755,031)**		(4,332,096)
		(5,914,747)		(5,389,157)
Operating income		**3,846,700**		3,652,076
Other expenses, net (Note 13)		**(1,486)**		(107,543)
Comprehensive financial income, (expense):				
(Expenses) interest income net		**(74,447)**		1,552
Exchange gain, net		**98,165**		11,452
Loss from monetary position		**-**		(41,218)
		23,718		(28,214)
		3,868,932		3,516,319
Equity in income of associated companies		**18,306**		14,816
Income before provisions for income tax		**3,887,238**		3,531,135
Provision for income tax (Note 14)		**(937,107)**		(1,046,639)
Income before minority interest		**2,950,131**		2,484,496
Minority interest		**(23)**		(28)
Net income	**Ps**	**2,950,108**	Ps	2,484,468
Net income per share	Ps	**3.66**	Ps	3.08
Weighted average shares outstanding (thousands)		**806,020**		806,020

The accompanying nineteen notes are an integral part of these consolidated financial statements, which were authorized for issuance on March 17, 2009 by the undersigned officers.

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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, 2008 and 2007 (Notes 1 and 2) (Thousands of Mexican pesos of December 31, 2008, see Note 2)

	Capital stock	Additional paid-in capital	Retained earnings
Balance at December 31, 2006	Ps 4,697,989	Ps 720,867	Ps 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	4,697,989	725,286	9,533,130
Effect of deferred employee´s profit sharing (Note 13)			(50,310)
Balance at December 31, 2007, adjusted	4,697,989	725,286	9,482,820
Changes in 2008:			
Dividends declared			(765,719)
Fund for repurchase of own shares		(191)	(196,235)
Reclassification of (loss) gain from holding nonmonetary assets (accrual performed)			(2,434,525)
Minority interest			
Comprehensive income			2,950,108
Balance at December 31, 2008 (Note 12)	Ps 4,697,989	Ps 725,095	Ps 9,036,449

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Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

Cumulative translation adjustments of foreign subsidiaries	Charge to stockholders' equity for labor obligations	Deficit from restatement	Total majority interest	Minority interest	Total stockholders' equity
Ps 5,250	(Ps 19,354)	(Ps 2,345,329)	Ps 11,782,315	Ps 160	Ps 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
5,133	(10,760)	(2,434,525)	12,516,253	148	12,516,401
			(50,310)		(50,310)
5,133	(10,760)	(2,434,525)	12,465,943	148	12,466,091
			(765,719)		(765,719)
			(196,426)		(196,426)
		2,434,525	-		-
				4	4
194,564	10,760		3,155,432		3,155,432
Ps 199,697	Ps -	Ps -	Ps 14,659,230	Ps 152	Ps 14,659,382

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2008 (Note 2) (Thousands of Mexican pesos of December 31, 2008, see Note 2)

		2008
Operating Activities:		
Income before income tax	Ps	3,887,238
Investing activities related items:		
Depreciation and amortization		868,751
Income from property, plant and equipment		(12,920)
Disposal of obsolete machinery and equipment		150,460
Equity in income of associated companies		(18,306)
Period net cost for employee benefits		118,189
Employee´s profit sharings		(10,295)
Financing activities related items:		
Interest in charge		205,575
Subtotal of the investing and financing activities related items		5,188,692
Increasing in receivables and other		(133,830)
Charges to other debtors		3,565
Inventories Increasing		(205,413)
Suppliers decreasing		(267,148)
Income taxes paid		(1,117,921)
Increasing in creditors and other payables		218,212
Increasing in contributions to the pension plan's trust		(77,336)
Operating activities net cash flows		3,608,821
Investing activities:		
Business acquisition (Argentina)		(3,748,563)
Ongoing investment in shares of Jugos del Valle, S. A. P. I. de C. V.		(625,119)
Property, plant and equipment acquisition		(1,434,635)
Charges for property, plant and equipment sale		55,788
Intangible assets investment		(134,914)
Investing activities net cash flows		(5,887,443)
Exceeding cash to be applied in financing activities		(2,278,622)
Financing activities:		
Short-term loans acquisition		2,476,000
Payment of bonds		(1,000,000)
Paid interests		(228,704)
Repurchase of own shares		(196,426)
Paid dividends		(765,719)
Financing activities net cash flows		285,151
Net cash increasing and temporary investments		(1,993,471)
Adjustments to the cash flow from changes in exchange rates		194,564
Cash and temporary investment at the beginning of the year		2,757,562
Cash and temporary investments at year end	Ps	958,655

The accompanying nineteen notes are an integral part of these consolidated financial statements, which were authorized for issuance on March 17, 2009 by the undersigned officers.

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Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

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

Consolidated Statement of Changes in Financial Position

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

		2007
Operating activities:		
Net income	Ps	2,484,468
Items not affecting resources:		
Allowance for doubtful accounts		10,550
Depreciation and amortization		819,696
Disposal of obsolete machinery and equipment		126,452
Other		1,128
Labor obligations		130,508
Equity in income of associated companies		(14,816)
Deferred employees' profit sharing		(12,630)
Deferred income tax		130,337
		3,675,693
Changes in working capital:		
Trade and other accounts receivable		148,751
Inventories		(112,932)
Prepaid expenses and other assets		101,012
Suppliers		272,223
Other accounts payable and accrued expenses		(270,972)
Resources provided by operating activities		3,813,775
Financing activities:		
Long term debt		(68,564)
Dividends declared		(1,635,405)
Fund for repurchase of own shares		(34,406)
Resources used in financing activities		(1,738,375)
Investing activities:		
Property, plant and equipment, net		(1,100,480)
Acquisition of subsidiary		(165,185)
Goodwill from acquisition of subsidiary		(265,028)
Intangible assets		(349,370)
Cumulative translation adjustment of foreign subsidiary		(117)
Resources used in investing activities		(1,880,180)
Increase in cash and temporary investments		195,220
Cash and temporary investments of acquired subsidiary		585
Cash and temporary investments at beginning of year		2,561,757
Cash and temporary investments at end of year	Ps	2,757,562

The accompanying nineteen notes are an integral part of these consolidated financial statements, which were authorized for issuance on March 17, 2009 by the undersigned officers.

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Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

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

Notes to the Consolidated Financial Statements

As of and for the years ended december 31, 2008 and 2007
(Thousands of Mexican pesos (Ps) (see Note 2), thousands of US dollars (US$) or thousands of euros (EUR), except for figures corresponding to the number and market value of shares and exchange rates)

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS AND SIGNIFICANT 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. 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 soft drinks and carbonated and non-carbonated bottled water (purified or flavored) in various presentations, including a private label brand. From 2008 onwards, the Northeast and Northwest territories of Argentina were incorporated in Arca´s operations, as described in the significant events section in this Note. Additionally, the company manufactures and distributes fried and other snacks under the Bokados brand.

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.

SIGNIFICANT EVENTS

a) Acquisitions in Argentina

As part of the growth and geographic expansion projects of the Company, on May 14 and 15, as well as February 29, 2008, acquisition agreements were signed with franchisees of TCCC in the Northeast and Northwest territories of Argentina (agreement finalized on December 29) and control was assumed from the dates of acquisition onwards. The purchase price amounted to US$296 million.

The entities acquired are as follows:

	Stock ownership acquired
Holding:	
Embotelladoras Arca de Argentina S. A. (name approved on December 29 and in process of registration)	100%
Manufacturing companies:	
Formosa Refrescos S. A.	100%
Distribuidora Dico S. A.	100%
Envases Plásticos S. A.	100%
Salta Refrescos S. A.	100%
Catamarca Rioja Refrescos S. A.	100%
Santiago del Estero Refrescos S. A.	100%
Compañía Tucumana de Refrescos S. A.	100%

The balance sheets at December 31, 2008 and its results for the 8-month period from the date of acquisition to the end of the year of the subsidiaries in the Northeast of Argentina, were consolidated in these financial statements; only the balance sheet at December 31, 2008 of the companies in the Northwest of Argentina was consolidated in these financial statements.

The allocation of the purchase price at fair values of assets and liabilities, as well as the goodwill recorded, is described in Note 6.

b) Investment in Jugos del Valle S.A.P.I. de C.V. (JDV)

On December 19, 2006, TCCC and Coca-Cola FEMSA, S. A. B. de C. V. (“KOF”) announced an agreement with the stockholders constituting the control group of Jugos del Valle, S. A. B. de C. V. (JDV), as a result of which they would issue a public purchase offer of up to 100% of the outstanding shares of JDV. On November 8, 2007, TCCC and KOF indirectly acquired, in equal proportions, 100% of the capital stock of JDV.

Prior to the closing of the acquisition of JDV, TCCC and KOF invited all other Coca-Cola bottling companies in Mexico to participate as stockholders of JDV. As a result, Arca subscribed with TCCC and KOF a letter of intent dated October 30, 2007 and constituted an investment trust fund in May 2008.

On December 18, 2008 the agreements through which its equity in JDV was formalized, were subscribed through such trust.

The cost of the transaction for Arca amounted to Ps643,810, which represents an equity of 11.99% of the total outstanding shares of JDV.

c) Acquisition of Nacional de Alimentos y Helados, S.A. de C. V. ("NAYHSA")

On January 22, 2007, Arca, NAYHSA and the stockholders of the latter signed an acquisition agreement covering all assets destined by NAYHSA to the operation of its fried and other snack business and to the marketing of its products, including contractual rights, the Bokados brand and all other related industrial property rights, but excluding certain real estate rights and rights on brands that are not significant for their business. The transaction cost amounted to Ps760,587.

The allocation of the purchase price to the fair values of assets and liabilities, as well as the goodwill recorded, is described in Note 6.

NOTE 2 – BASIS FOR PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements as of December 31, 2008 and 2007 have been prepared in accordance with and fully comply with Mexican Financial Reporting Standards (MFRS) to show a fair presentation of the financial position of the Company. 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.

On January 1, 2008, the following financial reporting standards (MFRS) issued by the Mexican Financial Reporting Standards Board became effective and have been adopted by the Company in the preparation of the financial statements. This Note also discloses the new accounting policies and when necessary, the effects of their adoption.

MFRS B-10 "Effects of inflation"

On January 1, 2008, MFRS B-10 "Effects of inflation" became effective. It sets forth the rules for the recognition of the effects of inflation on the financial information based on the country's inflationary environment. In accordance with this MFRS, the effects of inflation on the financial information will not be recognized if inflation does not exceed 26% in the three most recent years (except for subsidiaries in countries having inflation exceeding 26%). Since the accumulated inflation for the years ended December 31, 2008, 2007 and 2006, did not exceed the 26% stipulated, the financial statements at December 31, 2008 have been prepared on the modified historical cost basis (that is, the effects of the transactions carried out until December 31, 2007 are stated in constant pesos of purchasing power as of that date, and the effects of transactions carried out after that date are stated in nominal pesos).

The financial statements for the year ended December 31, 2007, presented for comparative purposes are expressed in constant pesos of December 31, 2007, based on factors derived from the National Consumer Price Index (NCPI), published by the Banco de México for domestic companies.

The accumulated inflation of the last three years in the Northeast and Northwest territories of Argentina where subsidiaries of Arca operate, exceeded 26%; therefore, the financial statements of these subsidiaries were adjusted to incorporate the effects of MFRS B-10 mentioned above.

MFRS B-15 "Translation of foreign currency"

The investments in foreign subsidiaries that are identified as foreign operations in conformity with the MFRS were translated to the reporting currency in conformity with paragraph w. of this Note.

MFRS B-2 "Statement of cash flows"

On January 1, 2008, MFRS B-2 "Statement of cash flows" became effective; therefore, management included as part of the basic financial statements the statement of cash flows for the year ended December 31, 2008. This statement reports the cash inflows and cash outflows of the business, representing the resources provided or used during the year, determined by the indirect method; the statement of changes in financial position for the year ended December 31, 2007, is presented separately and in accordance with Statement B-12, which was in effect at that date.

MFRS D-3 "Benefits to the employees"

The new provisions of MFRS D-3, applicable prospectively from January 1, 2008 onwards, stipulated a reduction in the amortization periods of items corresponding to past services. These are now amortized over a five-year term. The effect of the adoption is shown in Note 10. Up to December 31, 2007, the past services were amortized in conformity with the estimated useful life of the employees, namely 20, 16, 13, and 16 years for pensions, seniority premium, medical expenses subsequent to retirement and separation indemnities, respectively.

This new MFRS also resulted in the elimination of the additional liability and its counterpart in intangible assets, and when necessary, the related component in the stockholders' equity. At December 31, 2007 these concepts were shown separately in the balance sheet.

Finally, the MFRS require recognition of deferred Employees' Profit Sharing (EPS) by the comprehensive asset-and-liability method where it is probable that these benefits will be applicable to employees rendering future services. The accumulated initial effect of the deferred EPS at January 1, 2008 in conformity with the guidelines of this MFRS was recorded as a charge to retained earnings. See paragraph l. and Note 13. Up to December 31, 2007, the EPS was recorded only for non-recurring temporary differences arising from the reconciliation between the net accounting income and the taxable basis to determine the EPS when it was considered that it would result in a future liability or benefit. See Note 13.

Following is a summary of the principal accounting policies, which have been consistently applied in the years shown, unless otherwise indicated.

As explained in this Note, the figures at December 31, 2008 of the accompanying financial statements are shown in modified historical Mexican pesos (Ps) and include the inflation recognized in the financial information recorded up to December 31, 2007 in the subsidiaries in Mexico. The figures at December 31, 2007 are expressed in pesos of purchasing power as of that date.

The financial statements of the subsidiaries in Argentina have been prepared and consolidated in these financial statements, recording the effects of inflation in that country on assets, stockholders' equity and income and expenses as required by MFRS B-10.

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 as of December 31, 2008 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 in Mexico
Compañía Topo Chico, S. A. de C. V.
Bebidas Mundiales, S. A. de C. V. (2) y (3)
Industrial de Plásticos Arma, S. A. de C. V.
Embotelladora de la Frontera, S. A. de C. V.
Bebidas Envasadas del Pacífico, S. A. de C. V.
Agua Purificada Arca, S. A. de C. V.
Nacional de Alimentos y Helados, S. A. de C. V.

Manufacturing companies in Argentina
Formosa Refrescos S. A.
Envases Plásticos S. A.
Compañía Tucumana de Refrescos S. A.
Salta Refrescos S. A.
Catamarca Rioja Refrescos S. A.
Santiago del Estero Refrescos S. A.
Distribuidora Dico S. A.

Holding, real estate, commercial and service companies

Productora y Comercializadora de Bebidas Arca, S. A. de C. V.
Distribuidora de Jugos y Bebidas del Norte, S. A. de C. V. (1)
Embotelladoras Arca de Argentina S. A. (5)
Servicios Corporativos Arca, S. A. de C. V. (4)
Interex, Corp.
Desarrolladora Arca, S. A. de C. V.
Embotelladoras Argos, S. A.
Rock falls Spain, S. L.

(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) At a stockholders' meeting on February 12, 2008 Arca Corporativo, S. A. de C. V., changed its name to Bebidas Mundiales, S. A. de C. V. This change became effective as of March 1, 2008.
(3) Effective as from March 31, 2008, Bebidas Arca, S. A. de C. V. was merged into Bebidas Mundiales, S. A. de C. V.
(4) From February 19, 2008 onwards Publicidad Eficaz, S. A. de C. V. changed its name to Servicios Corporativos Arca, S. A. de C. V.
(5) On December 29, 2008 the stockholders agreed to change the name of the holding company of the operating companies in the Northeast of Argentina to Embotelladoras Arca de Argentina S. A. This change in name is in process at this date.

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, 2008 and 2007.

c. Cash and temporary investments

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

d. Inventories and cost of sales (Note 3)

In 2008, the inventories in Mexico of raw materials, finished products and materials and spare parts are valued at their historical cost determined based on average costs of acquisition or production. Additionally, a portion of such inventories located in Argentina is stated at replacement cost. The inventories do not exceed market value.

Bottles and distribution boxes are recorded at acquisition cost in Mexico and at replacement cost in Argentina, without exceeding market value.

Furthermore, the cost of sales is recorded at historical cost of purchases and production of inventories made and sold during 2008, plus restated (replacement) values of final inventories of 2007, sold during the year; consequently, at December 31, 2008 the cost of sales of the Mexican subsidiaries is expressed at historical cost modified as explained above.

The cost of sales of Argentinian subsidiaries is determined at estimated replacement cost.

At December 31, 2007, the inventories of raw materials, finished products and materials and spare parts, are valued at average cost of acquisition or production, which in virtue of the high rotation is similar to the lower of replacement cost and market value.

In 2007 the cost of sales is shown at estimated replacement cost at the dates on which sales were effected.

The cost of sales of Argentinian subsidiaries is determined at replacement cost at the dates the sales were effected.

In 2008 and 2007 the costs of broken bottles and distribution boxes are recorded in income in the period when they occur. Additionally, bottles and distribution boxes no longer acceptable for use in accordance with impairment standards and/or physical condition established by Arca are retired and charged to income when identified. The useful life of returnable glass and plastic bottles is estimated at an average of four years and one year, respectively. In Argentina methods with similar results are used.

e. Investment in securities (Note 4)

Investments in shares of affiliated companies, in which the percentage of ownership is between 10% and 50% of the investees' voting stock, and 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 investee companies' stockholders' equity subsequent to the acquisition date. The Company's equity in its subsidiaries is presented separately in the income statement. Investments in nonmarketable common stock with ownership of less than 10% of the investees' voting stock are recorded at acquisition cost and until December 31, 2007, were restated by applying factors derived from the NCPI.

f. Property, plant and equipment, net (Note 5)

At December 31, 2008, property, machinery and equipment is expressed as follows i) acquisitions made after January 1, 2008, at historical cost and ii) acquisitions made up to December 31, 2007 of national origin, at restated values determined through the application to acquisition and construction costs of factors derived from the NCPI up to December 31, 2007. Consequently, at December 31, 2008, property, machinery and equipment are expressed at modified historical cost.

In Argentina, property, machinery and equipment is stated by using factors derived from the NCPI to the historical cost.

When assets are sold or otherwise disposed of, restated investment and accumulated depreciation are written off and the gain or loss generated is recorded in income under "Other expenses, net". (See Note 13).

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 i.

g. Goodwill (Note 7)

Goodwill represents the excess of the cost of the net assets of acquired subsidiaries over their fair value. This goodwill, from January 1, 2005, is no longer amortized but its value is tested for impairment on an annual basis.

As of December 31, 2007, goodwill represents the excess of the cost of the net assets of acquired subsidiaries over their 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. See Note 7.

h. Franchises, trademarks and other assets (Note 8)

In 2008, in connection with the acquisitions described in Note 1, the Company determined the fair values of certain property, machinery and equipment as well as of intangible assets with indefinite life through a study obtained from an independent expert, such as the bottling company agreements held with TCCC (franchises), as well as the customer portfolio, among others.

This item includes the brand Bokados, which was stated at fair value through a study made by independent experts as well as other brands and industrial secrets recorded based on their acquisition price. This brand and industrial secrets are considered as intangible assets with indefinite life and are subject to impairment studies as explained in paragraph i. below.

This item also includes licenses for the use of computer software, which are amortized during the period in which they are estimated to produce benefits. Other assets are evaluated periodically in relation to the probability of their continuing to generate future revenues.

i. Long-lived assets

Long-lived assets, tangible and intangible (including goodwill) and the associated investments, are assessed through an annual study in order to determine if there are any impairment losses. Assets with indefinite lives are tested on an annual basis, and assets of definite lives are tested when certain facts and circumstances point to the fact that the recorded value of such assets may not be recovered.

At December 31, 2008 and 2007 there were no adjustments due to impairment.

j. Employee benefits (Note 10)

Benefits granted by the Company to its employees, including defined benefit plans (or defined contribution) plans are described as follows:

Direct benefits (salaries, overtime, vacations, holidays and leave of absence with salary benefits, etc.) are recorded in income as accrued and their liabilities are expressed at nominal value, due to their short term. In the case of absences paid in conformity with the legal or contractual dispositions, these are non-cumulative.

Benefits from termination of the labor relationship for causes other than restructuring, as well as retirement benefits (pensions, seniority premiums, medical expenses and indemnities) are recorded based on actuarial studies performed by independent experts using the projected unit credit method. To cover the aforementioned benefits, the Company makes periodical contributions to funds established in irrevocable trusts for some of its subsidiaries. See Note 10.

The net cost for the period of each employee benefit plan is recorded as an operating expense in the year it is accrued including the amortization of the cost of past services and of actuarial gains (losses) from prior years. See Note 10.

With respect to unamortizated prior service costs at December 31, 2007, known as transition liabilities, these are amortized as from January 1, 2008, over a five-year term instead of the estimated labor life of the employees as was the case until 2007, of 20, 16, 13 and 16 years for pensions, seniority premium, medical expenses subsequent to retirement and indemnities upon termination of the labor relationship, respectively. This change resulted in income for the year 2008 receiving an additional charge of Ps14,208.

Likewise, as from that date, the additional liability and its intangible asset counterparts, and the stockholders' equity component recorded until December 31, 2007, which are shown separately in the 2007 balance sheet were eliminated. These items amounted to Ps131,149, Ps141,909 and Ps10,760, respectively.

k. Income tax and flat tax (Note 14)

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

The Company recognized deferred income tax rather than deferred flat tax, since its financial and tax projections indicated that the Company will pay income tax, rather than flat tax in the future. See Note 14.

l. Deferred employees profit sharing (EPS)

From January 1, 2008 onwards the deferred EPS is recorded using the comprehensive asset-and-liability method which consists of recognizing a deferred EPS for all temporary differences between book and tax values of assets and liabilities where it is probable that these benefits will be applicable to employees rendering future services.

The company has defined as probable the effects of EPS arising from the temporary differences calculated for the following five years. The effects of temporary differences exceeding such period are considered contingent.

The retrospective effect of the adoption of the aforementioned change is recorded in retained earnings in the amount of Ps50,310, net of deferred income tax. The effect of the temporary differences arising after 2014 is considered a contingent liability and amounts to Ps276,574. The effect for the year is shown in the statement of income under the Other expenses, net caption. See Note 13.

Until December 31, 2007, deferred employees' statutory profit sharing was recorded only in respect of those temporary differences between book income and income adjusted for tax purposes which it might reasonably be presumed would result in a future liability or benefit. The amount recorded as a liability at that date amounted to Ps26,177. The retrospective effect mentioned in the paragraph above implied a total liability of Ps96,066, which is shown in the consolidated balance sheet.

m. Financial instruments with liability characteristics

Financial instruments issued by the Company with liability characteristics (see Note 9) are recorded on issuance as liabilities, in accordance with their various components. The initial costs incurred from the issuance of such instruments are assigned as liabilities in the same proportion as the amounts of their components. Losses and gains related to components of financial instruments classified as liabilities are recorded in comprehensive financing income (expense).

n. Stockholders' equity

Capital stock, legal reserve, contribution to future increases in capital, net premium on placement of stocks, retained earnings, deficit in restatement of capital and the accumulated effect of deferred income tax resulting from its initial recognition, shown at December 31, 2007, are stated at restated historical cost, determined through the application of factors derived from the NCPI to the historical cost. Changes in these accounts made during 2008 are expressed at historical cost.

The premium on sale of shares represents the excess of the amount paid over their nominal value.

o. Deficit from restatement of capital

At December 31, 2007, the deficit from restatement of capital was composed of the accumulated gain (loss) from initial monetary position and the gain (loss) from holding nonmonetary assets (mainly inventories and fixed assets). Since it was considered impractical to identify the realized and unrealized portions, the entire amount of Ps2,434,525, net of deferred taxes, was transferred to retained earnings, in conformity with the provisions of MFRS B-10.

At December 31, 2007 the gain (loss) from monetary position shown in the statement of income, represents the loss from inflation, measured in terms of the NCPI, on the net monetary assets and liabilities of the year, expressed in pesos of purchasing power as of that date.

p. 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 acquisition cost in 2008 and at their restated acquisition cost until December 31, 2007 by applying factors derived from the NCPI to the historical cost. Dividends received on repurchased shares are recorded by decreasing their historical cost and their restated cost in 2008 and 2007, respectively.

In the case of the sale of shares, any difference between the amount obtained and the historical cost and restated cost of such shares in 2008 and 2007, respectively, is recognized as additional paid-in capital.

q. 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.

r. Advertising and refrigeration equipment and incentive payments from TCCC

In accordance with the bottling agreement entered into by and between Arca and TCCC in Mexico, 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 in order 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 in selling expenses and in the other expenses caption, net, respectively, in the income (loss) for the year they are received.

s. Foreign currency transactions (Note 15)

At December 31, 2008 and 2007, the exchange rate was nominal Ps13.77 and Ps10.90 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.

t. 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, 2008 and 2007, there were no effects arising from potentially dilutive shares.

u. 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 and Argentina where Arca operates. Arca maintains allowances for doubtful accounts based on the expected collectibility.

In 2008 and 2007, 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.

The agreements of the Company in Argentina to bottle and distribute Coca-Cola products in the Northeast and Northwest of Argentina, expire on December 31, 2011 and December 31, 2010, respectively.

During Arca's more than 80-year business relationship with TCCC in Mexico, 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.

TCCC 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.

v. 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 subsidiaries, and items required by specific accounting standards to be reflected in stockholders' equity but which do not constitute capital contributions, reductions or distributions. The figures of comprehensive income of 2008 and 2007, are expressed in modified historical pesos and in pesos of December 31, 2007 purchasing power, respectively.

Comprehensive income comprised the following:

	December 31, 2008	December 31, 2007
Net income	Ps. 2,950,108	Ps. 2,484,468
Cumulative translation adjustment of foreign subsidiaries	194,564	(117)
Charge to stockholders' equity for labor obligations	10,760	8,594
Loss from holding non-monetary assets	-	(89,196)
Comprehensive income	Ps. 3,155,432	Ps. 2,403,749

w. Translation of foreign subsidiaries

MFRS B-15 "Translation of foreign currencies" establishes the standards for:

The recognition of the transactions of foreign currency and foreign transactions in the financial statements of the reporting entity and the translation of financial information to a reporting currency different from its recording currency or its functional currency.

The incorporation of income and the financial position of a foreign transaction (subsidiaries located abroad) to those of the reporting entity (Arca) follow the normal consolidation procedures, combination or equity method, in conformity with the particular MFRS relative to the consolidated and combined financial statements and permanent investments in shares. This process requires the eliminaton of intercompany balances, except for the exchange variation in intercompany transactions. The procedure followed by the company included:

a) First, modifying the financial statements of the foreign subsidiaries to conform them to the MFRS used by Arca, and;
b) translating the foreign currency of the subsidiaries to the reporting currency (Mexican pesos) of the consolidated entity (Arca).

x. Financial information by segments

Statement B-5 "Financial information by segments" of the MFRS, requires the Company to analyze its organizational structure and its information presentation system, in order to identify segments. With respect to the years presented, the Company has operated the following business segments in Mexico: soft drinks and others.

From 2008 onwards, the territory of Argentina is incorporated derived from the acquisition of the companies described in Note 1.

These segments are administered separately since the products handled and the markets served are different. Its activities are performed through several subsidiary companies.

Note 16 shows the income per segment, the way in which Management analyzes, leads and controls the business and the operating profit; additionally, it shows the information per geographic area, the latter in conformity with the same MFRS.

NOTE 3 - INVENTORIES

Inventories consist of the following:

	December 31, 2008	2007
Raw materials	Ps. 414,922	Ps. 190,271
Finished products	358,938	242,070
Materials and spare parts	210,777	193,432
Bottles and cases	426,611	351,644
Advances to suppliers and other	79,631	19,000
	Ps. 1,490,879	Ps. 996,417

NOTE 4 - INVESTMENT IN SHARES

The investment in shares of non-subsidiaries companies consisted of the following:

	% stock ownership	December 31, 2008	2007
Jugos del Valle, S.A.P.I. (JDV) (1)	11.99%	Ps. 668,030	Ps. -
Industria Envasadora de Querétaro, S. A. de C. V. (ENVASA) (1)	13.50%	66,907	68,288
Vivir Soluciones Financieras, S. A. de C. V. (1)	33.10%	18,501	-
Promotora Mexicana de Embotelladoras, S. A. de C. V. (PROMESA) (1)	20.00%	5,386	10,955
Compañía de Servicios de Bebidas Refrescantes, S. A. de C. V. (SALESKO) (1)	17.00%	7,006	42,373
Servicios Integrados para la Industria Refresquera, S. A. de C. V. (2)	0.55%	6	6
		Ps. 765,836	Ps. 121,622

(1) These investments are stated by applying the equity method.
(2) This investment is valued at its historical cost and is stated by applying factors derived from the NCPI to the restated historical cost in 2008 and 2007, respectively.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	December 31, 2008	2007
Land	Ps. 1,801,301	Ps. 1,548,919
Buildings	4,530,805	3,596,138
Machinery and equipment	7,281,478	5,927,798
Transportation equipment	3,338,133	3,112,693
Refrigerators and sales equipment	2,567,928	2,155,715
Computer equipment	337,140	346,814
Office equipment	350,079	349,995
Construction in progress and other	350,131	315,082
	20,556,995	17,353,154
Accumulated depreciation	(9,627,957)	(8,171,499)
	Ps. 10,929,038	Ps. 9,181,655

Depreciation charged to income in 2008 and 2007 was Ps 829,197 and Ps 777,129, respectively.

NOTE 6 - ALLOCATION OF THE PURCHASE PRICE AND PROFORMA INFORMATION

a) Allocation of the purchase price from acquisitions of subsidiaries in Argentina.

The Company allocated the purchase price of the Argentinian subsidiaries (Northeast and Northwest of Argentina) based on fair values of the acquired assets and the assumed liabilities at the acquisition date, as follows:

	2008
Current assets	Ps. 624,632
Property, plant and equipment, net	1,344,220
Other assets	788
Goodwill	1,986,881
Intangible assets	1,126,512
Total acquired assets	Ps. 5,083,033
Current liabilities	558,526
Deferred taxes	547,344
Total assumed liabilities	Ps. 1,105,870
Total net assets, equal to the purchase price	Ps. 3,977,163

Fair values of property, machinery and equipment, as well as intangible assets are determined by independent experts, as described in Note 2 h.
In the event that adjustments to the values initially assigned by acquisitions made in 2008 are subsequently detected these will be recorded in 2009.

b) Consolidated proforma financial information

The following consolidated proforma financial information for the twelve-month period ended December 31, 2008, gives effect to Arca's acquisitions as if they had occurred on January 1, 2008. The proforma adjustments consider the fair value of net assets acquired under certain premises that Arca considered fair.

Concept:	Audited figures	Unaudited figures	Proforma information *
Sales	Ps 20,255,300	Ps 2,689,098	Ps 22,944,398
Operating profit	Ps 3,846,700	Ps 138,034	Ps 3,984,734
Net consolidated income	Ps 2,950,108	Ps 39,285	Ps 2,989,393

*The consolidated proforma financial information does not indicate the results from consolidated operations that Arca would have reported had the acquisitions been made at the aforementioned date; therefore, it should not be taken as representative of the results of the operations in the future.

c) Allocation of the purchase price of other acquisitions

On January 22, 2007 Arca acquired control of the shares of NAYHSA. Derived from this operation, the fair value of the assets acquired exceeded the cost by an amount of Ps576,404, of which Ps311,376 was assigned to the market value of the commercial brand Bokados (recorded within other assets) based on a study by independent experts and Ps265,028 was assigned to goodwill. In accordance with the lack of relative importance of this acquisition, the presentation of proforma financial information was not considered necessary.

NOTE 7 - GOODWILL

The goodwill is analyzed as follows:

	December 31, 2008	2007
a) Recorded in acquired subsidiaries	Ps. 1,745,394	Ps. 1,554,192
b) Recorded by Arca	3,479,269	1,683,590
	5,224,663	3,237,782
Accumulated amortization through December 31, 2004	(703,529)	(703,529)
	Ps. 4,521,134	Ps. 2,534,253

NOTE 8 - OTHER ASSETS

Other assets are analyzed as follows:

	December 31, 2008	2007
Franchises	Ps. 1,251,294	Ps. -
Proprietary brands and industrial secrets	352,375	352,185
Software licenses	242,333	226,626
Installation expenses	25,146	25,146
Expenses on issuance of securities	9,918	9,918
Other assets	6,236	4,721
	1,887,302	618,596
Accumulated amortization	(185,607)	(144,545)
	1,701,695	474,051
Intangible asset from labor obligations	-	131,149
	Ps. 1,701,695	Ps. 605,200

The amortization charged to income in 2008 and 2007, was Ps 39,554 and Ps 42,567, respectively.

NOTE 9 - SHORT-TERM AND LONG-TERM DEBT

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

	December 31, 2008	2007
Banco Inbursa, S. A., unsecured, TIIE + 3 % points, with maturity in April 2009 (1) (2)	Ps. 1,276,000	Ps. -
BBVA Bancomer, S. A., unsecured, TIIE + 3 % points, with maturity in November 2009 (2)	1,000,000	-
HSBC México, S. A., unsecured, TIIE + 3.25 % points, with maturity in December 2009 (2)	200,000	-
Bonds	500,000	1,500,000
Other	11,527	20,465
	2,987,527	1,520,465
Current portion of long-term debt	(2,487,527)	(1,011,340)
Long-term debt	Ps. 500,000	Ps. 509,125

(1) On March 4, 2009, the company paid the loan in full, plus the interest of Ps3,482.
(2) No guarantee was granted for these loans.

Bonds were issued for a total of Ps1,500,000, on November 7, 2003. These bonds correspond to the first part of a deposit program for a total of Ps 5,000,000. The deposit consisted of an issue in the amount of Ps1,000,000 for a 5-year term with a 182-day variable CETES interest rate plus 88 basis points, and another issue for an amount of Ps500,000 for a 7-year term with an 8.8% fixed interest rate.

On October 24, 2008, the due date, the Company repaid the bond in the amount of Ps1,000,000.

NOTE 10 – EMPLOYEE BENEFITS

Arca has several employee benefit plans (see Note 2. j). The valuation of the liabilities for employee retirement plans (pensions, seniority premiums, 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, 2008 and 2007, the pension funds, postretirement and seniority premium trusts are invested in bonds and securities issued by the Mexican Government, and 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, 2008 and 2007, relating to the consolidated financial statements.

Following is a summary of the principal consolidated data relative to these obligations determined on an actuarial calculation basis:

a) Initial and final balances at present value of labor obligations for defined benefits:

	December 31,	
Concept	2008	2007
Defined benefit obligation (DBO) at beginning of year	Ps. 908,124	Ps. 877,128
Payments for extinction of obligations	(10,498)	-
Actuarial gain at beginning of year	(13,656)	-
Inflationary adjustment	-	30,902
Labor cost	54,132	57,117
Financial cost	71,591	42,574
Actual payment of benefits	(53,398)	(99,597)
Actuarial gain	(61,822)	-
Effect of the separation event	44,644	-
DBO at end of year	Ps. 939,117	Ps. 908,124

b) Reconciliation of fair values of plan assets (PA):

	December 31,	
Concept	2008	2007
Market value of assets at beginning of year	Ps. 486,158	Ps. 436,424
Payments for extinction of obligations	(10,498)	-
Effect of the separation event	17,597	-
Actual return from assets	157,327	(102,447)
Contributions of the Company	71,848	210,336
Transfers to defined contribution	(19,585)	(18,744)
Payment of benefits	(30,116)	(54,686)
Inflationary adjustment	-	15,275
Market value of assets at end of year	Ps. 672,731	Ps. 486,158

c) Reconciliation of the DBO, PA and net projected asset (NPA):

Concept	2008	December 31, 2007
Actual benefit obligation (ABO)	(Ps. 512,333)	(Ps. 498,263)
Defined benefit obligation (DBO)	(Ps. 939,117)	(Ps. 908,124)
Market value of the fund	672,731	486,158
Financial position	(266,386)	(421,966)
Transition asset	112,990	230,694
Improvements and prior unrecognized services	111,382	57,339
Actuarial losses	56,554	193,120
NPA	Ps. 14,540	Ps. 59,187

d) The analysis of the net cost for the period is as follows:

Concept	2008	December 31, 2007
Labor cost	Ps. 54,132	Ps. 55,239
Financial cost	71,591	41,162
Expected return from assets	(58,734)	(28,528)
Amortization of the transition liability	37,568	37,268
Plan improvements	7,312	694
Actuarial (gains) losses	(1,014)	3,128
Cost of the period	110,855	108,963
Effect of the recognition of losses/gains	3,585	-
Inflationary adjustment of the cost for the period	-	3,833
Adjusted cost for the period	114,440	112,796
Cost from reduction and extinction	3,749	-
Total annual cost of the defined benefit component	Ps. 118,189	Ps. 112,796

e) Criteria to determine the return rate of plan assets:

The expected return rate for each type of plan asset is based on projections on historical market rates. The difference with real rates is shown under actuarial (gains) losses for the year.

f) Principal actuarial hypotheses:

The main actuarial hypotheses used, expressed in absolute terms, as well as discount rates, return on plan assets, salary increase and changes in the indexes or other variables, referred to at December 31, 2008 and 2007, respectively, are as follows:

	2008				
	Pensions	Medical expenses	Seniority premiums for retirement	Seniority premiums for termination	Benefit at termination of relationship
1. Discount rate	9.00%	9.00%	9.00%	9.00%	9.00%
2. Expected return rate from assets	10.25%	10.25%	10.25%	10.25%	N/A
3. Expected increase rate of salaries	4.50%	4.50%	4.50%	4.50%	4.50%
4. Expected increase rate of the minimum salary	3.50%	3.50%	3.50%	3.50%	3.50%
5. Long-term inflation rate	3.50%	3.50%	3.50%	3.50%	3.50%

	2007				
	Pensions	Medical expenses	Seniority premiums for retirement	Seniority premiums for termination	Benefit at termination of relationship
1. Discount rate	5.00%	5.00%	5.00%	5.00%	5.00%
2. Expected return rate from assets	5.00%	5.00%	5.00%	5.00%	N/A
3. Expected increase rate of salaries	1.00%	1.00%	1.00%	1.00%	1.00%
4. Expected increase rate of the minimum salary	0.00%	0.00%	0.00%	0.00%	0.00%
5. Long-term inflation rate	3.50%	3.50%	3.50%	3.50%	3.50%

g) Estimate of plan contributions for the following period

The company expects to make contributions to assets of the employee benefit plans as follows:

	Estimated 2009
Pensions	Ps. 63,177,797
Medical expenses	10,886,024
Seniority premiums for retirement	5,875,366
Seniority premiums for termination	8,974,815
Total	Ps. 88,914,002

h) Benefits granted to key officers and senior management:

The total amount of benefits granted to key management personnel were as follows:

	December 31,	
Concept	2008	2007
Pension plan	Ps. 68,519	Ps. 63,784
Seniority premium	92	81
Medical expenses subsequent to retirement	404	357
Total	Ps. 69,015	Ps. 64,222

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 on Arca of approximately Ps 147,420. 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) Other deferred liabilities

This item includes advances from clients in guarantee of the bottles belonging to the Company and provisions for concepts representing contingent liabilities.

d) Commitments

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 2009	US$ 3,706
(2)	May 2010	3,492
		US$ 7,198

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:

	2008			2007
	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	556,961	168,134	725,095	725,286
	606,961	4,816,123	5,423,084	5,423,275
Retained earnings	11,418,738	(2,382,289)	9,036,449	9,482,820
Cumulative translation adjustment of foreign subsidiaries	199,697		199,697	5,133
Charge to stockholders' equity for labor obligations	-		-	(10,760)
Deficit from restatement				(2,434,525)
	11,618,435	(2,382,289)	9,236,146	7,042,668
Total majority interest	12,225,396	2,433,834	14,659,230	12,465,943
Minority interest	152	-	152	148
Total stockholders' equity	Ps. 12,225,548	Ps. 2,433,834	Ps. 14,659,382	Ps. 12,466,091

*Includes inflation effects until December 31, 2007, see Note 2.

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, 2008 and 2007, Arca's capital stock consisted of the following:

	Number of shares
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).

On the basis described in the following paragraph, Arca´s Board Directors declared a dividend of Ps 0.95 per share in its meeting held on April 8, 2008. The amount of dividends paid in 2008 was Ps 765,719.

In an Ordinary General Meeting held on March 27, 2007, the stockholders declared 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 declared a dividend of Ps 1.10 per share in its meeting held at October 23, 2007, which was paid in 2007. The total amount of the dividends paid in 2007 was Ps 1,635,405.

In a meeting held on March 11, 2008, the stockholders approved the maximum amount of funds that could be destined to the purchase of Arca´s own shares at Ps 500,000.

At December 31, 2008, the total amount of shares held in treasury was 7,506,300, equal to Ps278,260 (1,994,900 shares equal to Ps77,543 in 2007). At the date of issuance of these consolidated financial statements, the market value of Arca's shares was Ps.25.79.

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 38.91% if paid during 2008. 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 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 EXPENSES, NET

Other expenses, net comprised the following:

	December 31,	
	2008	2007
Currently payable employees' profit sharing	(Ps. 238,824)	(Ps. 218,507)
Deferred employees' profit sharing	10,295	12,630
Loss from sales and write-downs of fixed assets	(42,571)	44,145
Sale of patents and trademarks	238,632	-
Income tax receivable from prior years	25,685	27,881
Tax incentives applied	-	26,928
Other	5,297	(620)
	(Ps. 1,486)	(Ps. 107,543)

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.

Based on MFRS D-3 as described in Note 2.1., the recognition of deferred Employees' Profit Sharing (EPS) is based on the comprehensive asset-and-liability method, where it is probable that these benefits wll be applicable to employees who will render future services.

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 until December 31, 2007.

The effect of EPS on the main temporary differences on which deferred EPS is recorded is analyzed as follows:

	December 31, 2008	2007
Inventories	Ps. 3,154	Ps. 5,689
Property, machinery and equipment, net	86,595	98,433
Labor obligations	(110)	681
Employees' profit sharing	(4,262)	(4,725)
Tax incentives and taxes recoverable	-	89
Taxes recoverable	-	(3,854)
Other	394	(247)
Deferred EPS liability	Ps. 85,771	Ps. 96,066

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

	December 31, 2008	2007
Income before income tax provision	Ps. 3,887,238	Ps. 3,531,135
Equity in income of associates	(18,306)	(14,816)
Net income before income tax provision	3,868,932	3,516,319
Employees' profit sharing at statutory rate (10% in 2008 and 2007)	(386,893)	(351,632)
Add (deduct) effect of employees' profit sharing on:		
Comprehensive financing cost	831	7,025
Non-deductible expenses	(1,582)	(1,978)
Other non-taxable income	32,065	18,583
Other	127,050	122,125
Employees' profit sharing currently payable and charged to income	(Ps. 228,529)	(Ps. 205,877)
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 2008 and 2007, Arca and its subsidiaries consolidated their results for income tax.

The income provision is analyzed as follows:

	December 31, 2008	2007
Income tax currently payable	Ps. 1,046,741	Ps. 916,302
Deferred income tax	(109,634)	130,337
	Ps. 937,107	Ps. 1,046,639

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

	December 31, 2008	2007
Income before income tax	Ps. 3,887,238	Ps. 3,531,135
Equity in income of associated companies	(18,306)	(14,816)
Net income before income tax	3,868,932	3,516,319
Tax at statutory rate (28% in Mexico and 35% in Argentina)	(1,083,301)	(984,569)
Add (deduct) effect on income tax of:		
Comprehensive financial expense	2,326	19,669
Non-deductible items	(4,429)	(5,538)
Other non-taxable income	89,781	52,033
Other	58,516	(128,234)
Current and deferred income tax	(Ps. 937,107)	(Ps. 1,046,639)
Effective tax rate	24%	30%

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

	December 31, 2008	2007
Inventory	Ps. 45,900	Ps. 73,230
Property, plant and equipment	1,847,073	1,461,135
Labor obligations	3,096	11,240
Employees' profit sharing	(64,171)	(82,890)
Tax incentives	-	(37,054)
Recoverable taxes	(3,465)	(53,429)
Other	(45,149)	(7,763)
Total net deferred income tax liability	Ps. 1,783,284	Ps. 1,364,469

In accordance with the amendments to the Income Tax Law approved as of November 13, 2004, the income tax rate will 28% in 2008 in Mexico.

Until December 31, 2007, asset tax was calculated at the rate of 1.25% 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 exceeds asset tax during such years.

As of December 31, 2008 the Asset Tax Law was repealed however, the new law provides for the recovery of asset tax paid in prior years under certain conditions.

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 the 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 fax in the future, the Company did not record any deferred effect for flat tax at year end.

NOTE 15 - FOREIGN CURRENCY POSITION

As of December 31, 2008 and 2007, Arca had the following foreign currency assets and liabilities:

	December 31, 2008	2007
Monetary assets	US$ 18,504	US$ 195,551
Monetary liabilities	(32,193)	(30,212)
Net monetary position	(US$ 13,689)	US$ 165,339

At December 31, 2008, the net monetary position in Euros amounted to EUR262.

Arca's foreign currency transactions were as follows:

	December 31, 2008	2007
Sales	US$ 43,028	US$ 25,583
Purchase of raw materials	(155,508)	(7,316)
Purchase of fixed assets	(34,796)	(8,170)
Services and interest	(14,684)	(1,084)

	2008
Purchase of raw materials	(EUR 1,112)
Purchase of fixed assets	(2,978)
Services and interest	(148)

At March, 17, 2009, date of issuance of these audited financial statements, the exchange rate was Ps14.05 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 because they are different products.

The consolidated financial information of these operating segments for 2008 is as follows:

	Soft drinks*		Others**	
	México	Argentina	México	Total
Caption:				
Net income from transactions with outside customers	Ps.18,542,298	Ps. 697,344	Ps. 1,015,658	Ps. 20,255,300
Operating income	Ps. 3,669,098	Ps. 59,066	Ps. 118,536	Ps. 3,846,700
Depreciation and amortization	Ps. 811,589	Ps. 12,664	Ps. 44,498	PS. 868,751
Investments of the period in fixed assets	Ps. 1,188,615	Ps. 24,141	Ps. 221,879	Ps. 1,434,635
Total fixed assets, net	Ps. 9,044,210	Ps. 1,399,254	Ps. 485,574	Ps. 10,929,038

* Includes water in single-serve format.
** Includes jug water and snacks.

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

	Soft drinks*	Others 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. 1,014,822	Ps. 85,658	Ps. 1,100,480
Total fixed assets, net	Ps. 8,863,031	Ps. 318,624	Ps. 9,181,655

* Includes water in single-serve format.
** 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,	
	2008	2007
Desarrolladora Corporativa	Ps. 1,544	Ps. -
Criotec, S. A. de C. V.	265	696
Others	6	-
	Ps. 1,815	Ps. 696

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

	December 31,	
	2008	2007
PROMESA	Ps. 15,719	Ps. 57,683
ENVASA	13,095	11,276
SALESKO	-	41,062
JDV	11,432	-
	Ps. 40,246	Ps. 110,021

The main transactions with associated companies were the following:

	December 31,	
	2008	2007
Sales of manufactured products	(Ps. -)	(Ps. 30,055)
Purchase of canned products	379,631	443,229
Purchase of juices and nectars	356,072	-
Purchase of refrigerators	123,785	101,892
Purchase of sugar	-	824,750
Purchase of cans and bottles	364,273	325,780
Purchase of spare parts and other	10,630	6,879
	Ps. 1,234,391	Ps. 1,672,475

NOTE 18 - NEW ACCOUNTING PRONOUNCEMENTS

During the last months of 2008, the Mexican Financial Reporting Standards Board (MFRSB) issued a series of Financial Reporting Standards and two of their interpretations (MFRSI), which are effective as from January 1, 2009, and January 1, 2010 for MFRSI 14. It is considered that such MFRS and their interpretations will not have a significant effect on the financial information to be presented by the Company:

MFRS B-7, “Business acquisitions” - Establishes the general standards for valuation and disclosure in the initial recognition of the net assets acquired in a business acquisition at acquisition date, as well as minority investments and other items that may arise in acquisitions, such as goodwill and purchase gain. This standard supersedes Statement B-7 “Business acquisitions”, which was effective up to December 31, 2008.

MFRS B-8 “Consolidated and combined financial statements” - Establishes the general standards for the preparation and presentation of the consolidated and combined financial statements; as well as for the disclosures accompanying such financial statements. This MFRS replaces Statement B-8 “Consolidated and combined financial statements and valuation of permanent share investments”, which was effective up to December 31, 2008.

MFRS C-7 “Investment in associated companies and other permanent investments” - Establishes the standards for the accounting recognition of the investments in associated companies, as well as other permanent investments in which there is neither control, joint control or significant influence.

MFRS C-8 “Intangible Assets” - Establishes the valuation, presentation and disclosure rules for both initial and subsequent recognition of intangible assets acquired individually or through a business acquisition, or internally generated during the normal course of the entity’s operations. This MFRS replaces Statement C-8 “Intangible Assets” , which was effective up to December 31, 2008.

MFRS D-8 “Share-based payments” - Establishes the standards that should be observed in the recognition of the share-based payments in the financial information. This MFRS eliminates the supplemental application in Mexico of IFRS 2 Share-based payments issued by International Financial Reporting Standards Board.

Also the MFRSB has issued the following MFRSI:

MFRSI 14 “Contracts on construction, sale and rendering of services related to real estate” - which interprets the rules contained in Statement D-7 Contracts on construction and manufacturing of some capital goods. This interpretation will became effective as from January 1, 2010 for all entities celebrating contracts on construction, sale and rendering of services related to real estate. Its early adoption is allowed.

NOTE 19 - SUBSEQUENT EVENT

Stock certificates

On February 27, 2009, Arca placed stock certificates for Ps1,419,900 for 14 periods of 28 days each, with a coupon rate equal to the TIIE (Interbank Equilibrium Interest Rate) for 28 days plus 1.55 percentage points.

The funds obtained from this placement were mainly used to pay a liability contracted in October 2008, which is described in Note 9, for Ps1,276,000.

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.

EPS: Employee's Profit Sharing.

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.

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.

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.

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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