Investor Relations

Monterrey
Ulises Fernández de Lara
ulises.fernandezdelara@arcacontal.com
Tel: 52 (81) 8151-1525

Felipe R. Barquín Goris
felipe.barquin@arcacontal.com
Tel: 52 (81) 8151-1674

New York
Melanie Carpenter
i-advize Corporate Communications
Tel: (212) 406-3692
arcacontal@i-advize.com

Corporate Communications

Guillermo Garza
guillermo.garza@arcacontal.com
Tel: 52 (81) 8151-1589

ARCACONTINENTAL

AC

EARNINGS RELEASE

REVENUE GREW 49.7% WITH EBITDA UP 18.2% IN 1Q18

Monterrey, Mexico, April 27, 2018 – Arca Continental, S.A.B. de C.V. (BMV: AC*) (“Arca Continental” or “AC”), the second-largest Coca-Cola bottler in America, announced today its results for the first quarter of 2018 (“1Q18”).

Table 1: Financial Highlights

Data in millions of mexican pesos

	1Q18	1Q17	Variation %
Total Beverage Volume (MUC)	**521.1**	**417.4**	*24.8*
Total Revenues	**37,121**	**24,802**	*49.7*
EBITDA	**5,913**	**5,002**	*18.2*
Net Income	**1,327**	**1,729**	*-23.2*

Total Beverage Volume includes jug water
EBITDA = Operating income + Depreciation + Amortization + Non Recurring Expenses
Total Revenues= Net Sales + Revenues outside the territory (OT) in USA

1Q18 HIGHLIGHTS

- Net sales reached Ps. 37,121 million, 49.7% higher than in 1Q17.
- EBITDA was Ps. 5,913 million, representing a margin of 16%, 18.2% higher than 1Q17.
- Net Income decreased 23.2% to Ps. 1,327 million for a margin of 3.6%.

COMMENTS FROM THE CHIEF EXECUTIVE OFFICER

“After a historic year of expansion and transformation in 2017, we begin 2018 with solid revenue growth of 45.7%, and 18.2% higher EBITDA, thanks in part to the first full year of operating franchises in the U.S., as well as the ability of our associates in all the countries we serve to adapt to the economic changes and anticipate consumer trends”, stated Francisco Garza Egloff, Chief Executive Officer of Arca Continental.

“For this year, we seek to reinforce the commitment without borders that distinguishes us, strengthen our commercial execution and point-of-sale service capabilities with information technology, while continuing to advance in our search for, and realization of, efficiencies and new value-creating opportunities that will drive the profitable growth of our company", he added.

CONSOLIDATED RESULTS

The figures presented in this report were prepared in accordance with International Financial Reporting Standards ("IFRS"). On April 1 and August 25, 2017, we announced the integration of Coca-Cola Southwest Beverages ("CCSWB") and Great Plains Coca-Cola Bottling Company, respectively, into our operations and began consolidating their results the same day, therefore, this report contains three months of results from these operations.

Table 2: Consolidated Data

	1Q18	1Q17	Variation %
Volume by category (MUC)			
Colas	262.3	210.8	24.5
Flavors	112.2	88.4	27.0
Sparkling Total Volume	**374.6**	**299.2**	25.2
*Water**	56.7	43.6	30.1
*Still Beverages***	40.1	24.4	64.4
Volume excluding jug	**471.4**	**367.2**	28.4
Jug	49.7	50.2	-1.2
Total Volume	**521.1**	**417.4**	24.8
***Income Statement** (MM MXP)*			
Total Revenues	37,121	24,802	49.7
EBITDA	5,913	5,002	18.2

Includes all single-serve presentations of purified, flavored, and mineral water.

****Includes teas, isotonics, energy drinks, juices, nectars, and fruit beverages.***

FINANCIAL ANALYSIS

INCOME STATEMENT

- Consolidated net sales for 1Q18 reached Ps. 37,121 million, up 49.7% (4.3% currency-neutral and excluding CCSWB) compared to 1Q17.

- Volume grew 28.4% in 1Q18 to 471.4 MUC, excluding jug water. Sparkling increased 25.2%, while stills and single-serve water rose 64.4% and 30.1%, respectively.
- During 1Q18, cost of sales rose 58.3%, mainly due to the integration of operations in the U.S. and increases in the prices of key raw materials in Mexico, such as sugar and concentrate. Consolidated gross profit grew 39.9% to Ps. 16,204 million, reflecting a gross margin of 43.7%.
- Selling and administrative expenses increased 53.8%, from Ps. 7,932 million in 1Q17 to Ps. 12,196 million in 1Q18; this line item reflects the integration of the operations in the U.S., and to a lesser degree, the impact of higher selling expenses in Mexico and Peru.
- Consolidated operating income rose 10.9% versus 1Q17 to Ps. 3,841 million in 1Q18, representing an operating margin of 10.3%.
- Consolidated EBITDA in 1Q18 reached Ps. 5,913 million for a margin of 16% and growth of 18.2%. On a currency-neutral basis and excluding CCSWB and Great Plains operations, EBITDA grew 1% in 1Q18.
- The comprehensive financing result in 1Q18 was Ps. 1,416 million compared to Ps. 635 million in 1Q17, mainly due to an exchange loss from a higher position in dollars, and greater interest expenses stemming from the CCSWB private debt placement.
- Income tax provision for 1Q18 was Ps. 722 million, 18.4% below 1Q17, reflecting an effective tax rate of around 30%.
- Arca Continental reported net income of Ps. 1,327 million in 1Q18, down 23.2%, reflecting a margin of 3.6%.

BALANCE SHEET & CASH FLOW STATEMENT

- As of March 31, 2018, AC registered a cash balance of Ps. 24,529 million and debt of Ps. 55,463 million, resulting in a net debt position of Ps. 30,934 million. The Net Debt/EBITDA ratio was 1.1x.
- Net operating cash flow reached Ps. 3,685 million in 1Q18.
- As of March 31, 2018, Capex was Ps. 1,996 million, mainly allocated towards investments at CCSWB to capture planned synergies, as well as production and distribution capacity improvements in Mexico and South America.

Mexico

Arca Continental reports its information for three regions: Mexico, United States and South America, (which includes Peru, Argentina and Ecuador). Each region includes results for the beverage and complementary businesses.

Table 3: Mexico Data

	1Q18	1Q17	Variation %
Volume by Category (MUC)			
Colas	158.2	155.2	1.9
Flavors	30.7	31.1	-1.4
Sparkling Total Volume	**188.9**	**186.4**	1.4
*Water**	20.6	18.7	10.0
*Still Beverages***	14.7	13.7	7.4
Volume excluding jug	**224.2**	**218.8**	2.5
Jug	46.3	45.6	1.4
Total Volume	**270.5**	**264.4**	2.3
Mix (%)			
Returnable	31.2	32.3	-1.1
Non Returnable	68.8	67.7	1.1
Multi-serve	52.8	51.8	1.0
Single-Serve	47.2	48.2	-1.0
Income Statement (MM MX)			
Total Revenues	13,369	12,820	4.3
EBITDA	2,675	2,675	0.0

***** Includes all single-serve presentatios of purified, flavored, and mineral water.***

***** Includes teas, isotonics, energy drinks, juices, nectars, and fruit beverages.***

OPERATING RESULTS FOR MEXICO

- During 1Q18, Mexico posted net sales of Ps. 13,369 million, while sales volume grew 2.3% to 270.5 MUC. The average price per unit case, excluding jug water, increased 1.6% to Ps. 56.1 in 1Q18.
- EBITDA for Mexico reached Ps. 2,675 million in 1Q18, representing an EBITDA margin of 20%.
- In 1Q18 we registered the 11th consecutive quarter of volume growth, mainly driven by increases of 1.5% in sparkling, 9.8% in single-serve water and 7.4% in stills.

- In the On-Premise channel, we finalized negotiations and Coca-Cola became the exclusive brand of Cinemex. This new account positions us as leaders in the movie theater segment with presence in the two main movie theater chains in Mexico.
- In 1Q18, Santa Clara maintained its double-digit growth rate. We launched two new presentations of flavored milk, caramel and strawberry, with which we seek to increase coverage of the brand and provide greater variety to our consumers.
- This quarter, Coca-Cola Zero Sugar reached coverage of over 60% and grew volume by 29% when compared to last year.
- Powerade maintained its coverage level and reached a volume growth of 3.9%. To continue driving its growth, new launches are planned in the second half of the year as official sponsors of the 2018 FIFA World Cup in Russia.
- In Direct-to-Home (DTH) sales we maintained a positive trend at the start of the year with 16.2% growth in volume, notably in the high value added dairy category.
- In 1Q18, Vending continued posting favorable results thanks to the relocation of machines, which helped achieve an 8.4% price increase. Furthermore, we continue working on the use of telemetry aimed at minimizing distribution costs and increasing sales, with every 4 of 10 machines currently hosting this technology.
- Bokados posted a favorable sales performance in the first quarter of the year, supported mainly by better commercial execution and an increase in coverage. The strategy has focused on building brands such as Topitos and Prispas, where the brand love score rose. In addition, new products such as Topitos Pizza and Prispas Adobadas were launched in the quarter.

UNITED STATES

On April 1 and August 25, 2017 we announced the integration of Coca-Cola Southwest Beverages ("CCSWB") and Great Plains Coca-Cola Bottling Company, respectively, into our operations and began consolidating their results the same day, therefore, this report contains three months of results from these operations, respectively. The U.S. includes the beverage businesses of CCSWB and Great Plains and the snacks businesses of Wise and Deep River.

Table 4: United States Data

	1Q18
Volume by Category (MUC)	
Colas	46.1
Flavors	27.3
Sparkling Total Volume	**73.4**
*Water**	14.1
*Still Beverages***	15.1
Volume excluding jug	**102.6**
Mix (%)	
Multi-serve	70.0
Single-Serve	30.0
Income Statement (MM MX)	
*Total Revenues****	13,642
EBITDA	1,142

**** Includes all single-serve presentatios of purified, flavored, and mineral water.***

***** Includes teas, isotonics, energy drinks, juices, nectars, and fruit beverages.***

****** Total Revenues includes net sales and revenues outside the territory (OT) in US.***

OPERATING RESULTS FOR THE U.S.

- Net sales in the U.S. reached Ps. 13,642 million in 1Q18. On a comparable and currency neutral basis, sales increased 3.8%. Volume reached 102.6 MUC, an increase of 1.9% when compared to 1Q17.
- In 1Q18, EBITDA for the U.S. reached Ps. 1,142 million, representing a margin of 8.4%.
- During 1Q18, we continued rolling out our "Fundamentals" initiative in the U.S. and automated reporting through the publication of the first set of metrics in this initiative, which will allow us to segment our strategy and detect opportunities by point of sale.

- This quarter we relaunched Diet Coke with a new image and four new flavors, maintaining the essence of the product with a modern look to attract younger generations; we achieved volume growth of around 1%.
- During 1Q18, we began distributing Topo Chico on the red truck as part of the Coca-Cola portfolio, having strong results during the quarter.
- The increase in volume resulted mainly from the performance of the On-Premise and Large Stores channels with 3.1% and 2.9% growth, respectively, and mainly driven by the Stills category.
- The snacks business in the U.S. posted an increase in revenue mainly due to the integration of Deep River, which has generated an expansion of the brand to new territories and channels such as Vending and airports. In addition, we acquired Carolina Country Snacks, a brand of pork rinds with regional distribution in North Carolina and the surrounding region. Through this acquisition, Wise adds a new and growing category with strong growth potential for the brand in the rest of the territories in which it operates.

SOUTH AMERICA

South America includes beverage operations in Peru, Argentina, Ecuador and the snacks business Inalecsa.

Table 5: South America Data

	1Q18	1Q17	Variation %
Volume by Category (MUC)			
Colas	58.0	55.5	4.5
Flavors	54.3	57.3	-5.2
Sparkling Total Volume	**112.3**	**112.8**	-0.5
*Water**	22.1	24.9	-11.2
*Still Beverages***	10.3	10.7	-3.9
Volume excluding jug	**144.6**	**148.4**	-2.5
Jug	3.4	4.6	-27.0
Total Volume	**148.0**	**153.0**	-3.2
Mix (%)			
Returnable	28.6	29.2	-0.6
Non Returnable	71.4	70.8	0.6
Multi-serve	67.8	67.6	0.2
Single-serve	32.2	32.4	-0.2
Income Statement (MM MX)			
Total Revenues	10,110	10,930	-7.5
EBITDA	2,096	2,288	-8.4

**** Includes all single-serve presentatios of purified, flavored, and mineral water.***

***** Includes teas, isotonics, energy drinks, juices, nectars, and fruit beverages.***

OPERATING RESULTS FOR SOUTH AMERICA

- South America posted a 7.5% decline in net sales to Ps. 10,110 million in 1Q18. On a currency-neutral basis, sales grew 4.3%.
- Total sales volume for South America decreased 2.5% in 1Q18 to 144.6 MUC, excluding jug water, mainly due to the declines of 3.9% in stills, 11.2% in water and 5.2% in flavors, partially offset by a 4.5% increase in colas.

- In 1Q18, EBITDA for South America declined 8.4% to Ps. 2,096 million, reflecting a margin of 20.7%, down 20 basis points versus 1Q17.

Argentina

- For the first three months of 2018, sales volume grew 5.2%, largely due to the price-pack strategy as well as the incorporation of AdeS. Sparkling grew 1.4% while single-serve water increased 7.2%.
- In 1Q18, we launched Coca-Cola without sugar achieving double-digit volume growth compared to last year´s performance of Coca-Cola Zero.
- In Argentina, we continue advancing in the integration of the Famaillá sugar mill, from which we already obtain 50% of our sugar needs, allowing us to have a more efficient cost structure.

Ecuador

- In Ecuador, volume grew 11.1% during 1Q18, driven by 7.6% growth in the sparklings category and 25.5% increase in stills, which was partly offset by an 8.3% decline in flavors.
- Arca Continental Ecuador continues to innovate in the low- and no-calorie products; this quarter, we launched products of the brand &Nada in lemon, orange and apple flavors. In addition, we launched Inca Kola, the iconic Peruvian brand.
- Tonicorp reported positive results during the quarter, mainly due to sales growth in core categories such as yogurt, flavored milk and ice cream categories. Furthermore, we continued innovating through new products and capturing synergies through optimization and efficiencies at our production facilities.
- In 1Q18, Inalecsa reported mid-single digit growth in sales, largely driven by disciplined execution at the point of sale, the transition to direct distribution and innovation in new products in both the snacks category as well as bakery. In addition, we began exporting the Tortolines brand to Australia, continuing the expansion of this brand which is now available in 8 countries.

Peru

- In 1Q18, volume declined 11.9%, affected mainly by a 25.8% decrease in the water category due to the effect of floods caused by the "La Niña" weather phenomenon last year where the volume of water increased significantly as consequence of this situation.
- During 1Q18, we continue working on our execution at the point of sale. We installed 8,000 coolers which helped us to increase coverage of our unforgivables, and we boosted sales of returnable presentations.
- In 1Q18, we initiated operation of a "hot-fill" line for still beverages, which will allow us to expand our product portfolio. During the quarter, we launched Frugos and Powerade in 1Lt. Pet formats.

RECENT EVENTS

- On March 1, 2018, Arca Continental received USD $200 million remaining from the private placement that CCSWB conducted on December 28, 2017.
- On March 26, 2018, S&P affirmed its credit rating of "mxAAA" on a national scale for Arca Continental and AC Bebidas. The outlook remained stable.
- On April 12, 2018, Moody´s affirmed its credit rating of "A2" on a global scale and changed the outlook from negative to stable for Arca Continental.
- On April 26, 2018, the Annual Shareholders´ Meeting of Arca Continental declared a cash dividend of Ps. 2.20 per share to be paid in one installment beginning May 9, 2018, equivalent to a total of Ps. 3,881 million, representing an increase of 10% over the dividend paid in 2017.

CONFERENCE CALL INFORMATION

Arca Continental will host a conference call on April 27, 2018 to discuss these results at 10:00 am Mexico/Monterrey time / 11:00 am New York time. A live webcast of this event is available at www.arcacontal.com or connect via telephone by dialing:

To participate, please dial:
+1-877-712-5080 (U.S. participants)
+1-334-245-3009 (International participants)
0-1-800-062-2650 (Mexico participants)
Passcode: 36151

About Arca Continental

Arca Continental is a company dedicated to the production, distribution, and sale of non-alcoholic beverages which are brand names of The Coca-Cola Company as well as salty snacks under the brands of Bokados in Mexico, Inalecsa in Ecuador, and Wise in the United States. With an outstanding track record of more than 91 years, Arca Continental is the second largest Coca-Cola bottling company in Latin America and one of the most important in the world. Within its Coca-Cola franchise, the company serves a population of more than 118 million in the northern and western parts of Mexico as well as Ecuador, Peru, the northern region of Argentina and the Southwestern U.S. Arca Continental is listed on the Mexican Stock Market under the ticker symbol "AC". For further information about Arca Continental, please visit www.arcacontal.com

Arca Continental, S.A.B. de C.V. and Subsidiaries
Consolidated Income Statement
(millions of Mexican pesos)

	1Q18	1Q17	Variation MM MXP	Variation %
Net sales	36,118	24,802	11,316	*45.6*
Revenues OT in USA	1,003	0	1,003	
Total Revenues	**37,121**	**24,802**	12,319	*49.7*
Cost of Sales	20,917	13,217	7,700	*58.3*
Gross Profit	**16,204**	**11,586**	4,618	*39.9*
	43.7%	*46.7%*		
Selling Expenses	10,250	6,526	3,724	*57.1*
Administrative Expenses	1,946	1,406	541	*38.5*
Total Costs	12,196	7,932	4,265	*53.8*
	32.9%	*32.0%*		
Non Recurring Expenses	211	249	-38	*(15.1)*
Operating Income before other income	**3,797**	**3,406**	391	*11.5*
Other Income (Expenses) [2]	44	57	-12	*(22.0)*
Operating Income	3,841	3,463	379	*10.9*
	10.3%	*14.0%*		
Interest Expense Net	-824	-625	-199	*31.8*
Exchange Gain (Loss)	-592	-9	-583	*6398.8*
Comprehensive Financial Results	-1,416	-635	-782	*123.2*
Share of net income of associates [3]	-10	21	-31	*(147.2)*
Earnings Before Taxes	**2,415**	**2,849**	-434	*(15.2)*
Profit Taxes	722	885	-163	*(18.4)*
Non-controlling interest	-366	-235	-130	*55.4*
Net Profit	**1,327**	**1,729**	-402	*(23.2)*
	3.6%	*7.0%*		
Depreciation and amortization	1,860	1,291	569	*44.1*
EBITDA	**5,913**	**5,002**	911	*18.2*
	15.9%	*20.2%*		

EBITDA = Operating Income + Depreciation and Amortization + Non Recurring Expenses

[1] Revenues from outside the territory (OT) in US from sales to other bottlers

[2] Includes equity method from our participation in operational companies like Jugos del Valle, IEQSA and Bebidas Refrescantes de Nogales

[3] Includes equity method from our participation in non-operational companies like PIASA, PetStar, Beta San Miguel, among others

Arca Continental, S.A.B. de C.V. and Subsidiaries

Consolidated Balance Sheet

(millions of Mexican pesos)

	March 31 2018	December 31 2017	Variation MM MXP	Variation %
ASSETS				
Cash and cash equivalents	24,529	23,842	687	*2.9*
Accounts receivable; Net	12,393	11,512	880	*7.6*
Inventories	7,121	7,718	-597	*-7.7*
Prepayments	782	710	73	*10.3*
Total Current Assets	**44,825**	**43,781**	1,044	*2.4*
Investments in shares and other investments	6,639	6,769	-130	*-1.9*
Property, plant and other equipment	68,221	71,664	-3,444	*-4.8*
Other non current assets	110,616	118,069	-7,454	*-6.3*
Total Assets	**230,301**	**240,285**	-9,984	*-4.2*
LIABILITIES				
Short term bank loans	628	1,785	-1,157	*-64.8*
Suppliers	16,237	14,984	1,253	*8.4*
Accounts payable and taxes	3,748	6,548	-2,800	*-42.8*
Total Current Liabilities	**20,613**	**23,318**	-2,705	*-11.6*
Bank Loans and long term liabilities	54,835	53,338	1,497	*2.8*
Deferred income tax and others	20,706	22,053	-1,347	*-6.1*
Total Liabilities	**96,154**	**98,708**	-2,554	*-2.6*
SHAREHOLDER´S EQUITY				
Non controlled participation	31,469	31,082	387	*1.2*
Capital Stock	41,982	45,758	-3,776	*-8.3*
Retained Earnings	59,368	51,645	7,723	*15.0*
Net Profit	1,327	13,090	-11,763	*-89.9*
Total Shareholders' Equity	**134,147**	**141,576**	-7,429	*-5.2*
Total Liabilities and Shareholders' Equity	**230,301**	**240,285**	-9,984	*-4.2*

Arca Continental, S.A.B. de C.V. and Subsidiaries
Cash Flow Statement
(millions of Mexican pesos)

	as of March 31	
	2018	**2017**
Earnings Before Taxes	**2,415**	**2,849**
Depreciation and amortization	1,860	1,291
Gain on sale and fixed assets impairment	120	99
Foreign exchange	592	9
Accrued interests	754	625
Operating cash flow before taxes	**5,741**	**4,873**
Cashflow generated/used in the operation	-2,056	-2,158
Operating cashflow after working capital	**3,685**	**2,715**
Investment Activities:		
Capital Expenditures and Investments (Net)	-1,996	-4,322
Financing Activities:		
Dividends paid	0	0
Share repurchase program	-68	-199
Debt amortization	498	12,611
Paid interests	-763	-504
Capital increase	0	0
Net cash flow	**-334**	**11,908**
Net increase of cash and equivalents	1,355	10,301
Change in Cash	-668	-106
Initial cash and equivalents balance	**23,842**	**5,546**
Final cash and equivalents balance	**24,529**	**15,741**