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AC

EARNINGS RELEASE

EBITDA GREW 6% TO REACH A 24% MARGIN IN 2Q14

Monterrey, Mexico, July 17, 2014 – Arca Continental, S.A.B. de C.V. (BMV: AC*) (“Arca Continental” or “AC”), the second-largest Coca-Cola bottler in Latin America and third-largest in the world, announced today its results for the second quarter of 2014 (“2Q14”).

Table 1: Financial Highlights

	Data in millions of Mexican pesos					Variation %
	2Q14	2Q13		Jan - Jun '14	Jan - Jun '13	
<i>Total Beverage Volume (MUC)</i>	348.6	360.5	-3.3	642.0	662.8	-3.1
<i>Net Sales</i>	15,958	15,825	0.8	29,328	29,200	0.4
<i>EBITDA</i>	3,824	3,610	5.9	6,478	6,084	6.5
<i>Net Income</i>	1,935	1,878	3.1	3,097	2,967	4.4

Total Beverage Volume includes jug water

EBITDA = Operating income + Depreciation + Amortization + Non Recurring Expenses

SECOND QUARTER 2014 HIGHLIGHTS

- Net sales reached Ps. 15,958 million, 0.8% higher when compared to 2Q13.
- EBITDA was Ps. 3,824 million with a record margin of 24%, up 120 basis points versus 2Q13.
- Net Income increased 3.1% to Ps. 1,935 million with a 12.1% margin, 20 basis points higher.

FIRST HALF 2014 HIGHLIGHTS

- Net sales reached Ps. 29,328 million, representing an increase of 0.4%.
- EBITDA was Ps. 6,478 million with a margin of 22.1%, up 130 basis points versus 1H13.
- Net Income increased 4.4% to Ps. 3,097 million with a 10.6% margin, 40 basis points higher.

COMMENTS FROM THE CEO

“The effort and passion to serve from all our team members, the constant market investment, as well as the targeted execution and actions that we have made in light of the new tax and low-consumption environment, have been key factors to continue strengthening our leadership position and deliver sound financial and operating results, despite the impact on our sales volumes in Mexico. Thanks to the ability to effectively manage our diverse product portfolio and maintain an efficient and competitive price architecture, EBITDA margin expanded 120 basis points, driven by cost and expense efficiencies strategies in Mexico and South America,” stated Francisco Garza Egloff, Chief Executive Officer of Arca Continental.

“These results reaffirm the competitiveness that distinguishes our Company in all business areas and places us in a solid position to reach our long-term business objectives. Beginning in this quarter, the financial report reflect our participation in Tonicorp, in Ecuador, as part of our strategy of profitable and sustainable value creation”, he added.

CONSOLIDATED RESULTS

The figures presented in this report were prepared in accordance with International Financial Reporting Standards ("IFRS"). On April 15, 2014, Arca Continental completed, in association with The Coca-Cola Company, the acquisition of a majority stake in Holding Tonicorp, S.A. This association was realized based on a joint participation with a 50% stake by each party; in this second quarter 2014 report we consolidate in our financial statements the proportion of our participation in this business.

Table 2: Consolidated Data

	2Q14	2Q13	Variation %	Jan - Jun '14	Jan - Jun '13	Variation %
Volume by category (MUC)						
Colas	209.9	215.2	-2.5	385.5	398.0	-3.1
Flavors	49.0	52.2	-6.1	93.4	100.0	-6.6
Sparkling Total Volume	258.9	267.3	-3.2	478.9	498.1	-3.8
Water*	24.8	25.4	-2.4	44.0	43.3	1.8
Still Beverages**	16.0	17.5	-8.8	30.0	32.4	-7.5
Volume excluding Jug	299.6	310.3	-3.4	552.9	573.7	-3.6
Jug	48.9	50.3	-2.6	89.1	89.0	0.0
Total Volume	348.6	360.5	-3.3	642.0	662.8	-3.1
Income Statement (MM MXP)						
Net sales	15,958	15,825	0.8	29,328	29,200	0.4
EBITDA	3,824	3,610	5.9	6,478	6,084	6.5

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

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

FINANCIAL ANALYSIS

INCOME STATEMENT

- Consolidated net sales for 2Q14 reached Ps. 15,958 million and Ps. 29,328 million for the first half of 2014, up 0.8% and 0.4% (4.5% and 4.6% on a currency-neutral basis), respectively, when compared to the same periods in 2013 (-2.7% and -1.5% excluding Tonicorp, respectively).

- As a result of the challenging economic environment and low consumption levels in the franchises we operate, total volume decreased 3.3% in 2Q14 to 349 MUC. During the first six months of 2014, the sparkling segment declined 3.8% while still beverages declined 2.2% to reach a total volume drop of 3.1%, including jug water.
- During 2Q14, cost of sales declined 2.4% thanks to the efficiencies achieved in the value chain production process, lower sweetener costs and lightening of PET packaging (-6.8% excluding Toni). Consolidated gross profit rose 4.4% to Ps. 7,882 million. Consolidated gross margin reached 49.4%, up 170 basis points. First half gross profit reached Ps. 14,369 million with a 49% margin, up 230 basis points versus last year.
- Selling and administrative expenses increased 5.3% (2.4% excluding Tonicorp) from Ps. 4,613 million to Ps. 4,859 million in 2Q14. The increase stemmed from higher marketing expenses due to the World Cup campaigns and the expansion of cooler coverage as well as higher prices of fuel, production and distribution equipment maintenance which drove the rise in fixed expenses. For the first half of 2014, selling and administrative expenses reached Ps. 9,316 million, reflecting an increase of 5.3% (3.6% excluding Tonicorp).
- Consolidated operating income rose 6.1% (3.7% excluding Tonicorp) in 2Q14 compared to 2Q13, to Ps. 3,105 million with an operating margin of 19.5%. As of June 30, 2014, operating income reached Ps. 5,131 million with an operating margin of 17.5%.
- Consolidated EBITDA in 2Q14 increased 5.9% (3.6% excluding Tonicorp) to Ps. 3,824 million representing a record margin of 24%, up 120 basis points. In the first half of 2014, EBITDA increased 6.5% (5.1% excluding Tonicorp) to Ps. 6,478 million, representing a margin of 22.1%, 130 basis points higher than in the first half of 2013. On a currency-neutral basis, EBITDA would have grown 7.8% during 2Q14 and 9.6% in the first half of 2014.
- The integral financial result for 2Q14 was Ps. 263 million compared to Ps. 251 million in 2Q13. This period included financial costs and expenses of Ps. 250 million, compared to Ps. 226 million in 2Q13.
- Income tax provision for the quarter reached Ps. 882 million, 14.1% higher than in 2Q13, reflecting an effective tax rate of 30.8% as a result of the fiscal regime changes in Mexico in 2014.
- Arca Continental reported net income of Ps. 1,935 million in 2Q14, up 3.1%, representing a net margin of 12.1%, for an additional 20 basis points. For the first half of 2014, net income reached Ps. 3,097 million, reflecting a net margin of 10.6%, up 40 basis points.

BALANCE SHEET & CASH FLOW STATEMENT

- As of June 30, 2014 Arca Continental registered cash of Ps. 7,318 million and bank debt of Ps. 16,663 million, resulting in net debt of Ps. 9,345 million. The Net Debt/EBITDA ratio was 0.7x.
- Net operating cash flow reached Ps. 6,409 million as of June 30, 2014.
- CAPEX for the quarter totaled Ps. 1,652 million, allocated mainly towards the acquisition of cooling equipment and the expansion of returnable glass and PET packages to offer consumers more affordable product options.

AC NORTH AMERICA

Arca Continental reports its information for AC North America and AC South America. AC North America includes results for the beverage and snack businesses in Mexico as well as snacks in the U.S., while AC South America include results for the beverage business in Argentina and beverages and snacks in Ecuador.

Table 3: North America Data

	2Q14	2Q13	Variation %	Jan - Jun '14	Jan - Jun '13	Variation %
Volume by Category (MUC)						
Colas	171.2	177.1	-3.3	307.5	319.6	-3.8
Flavors	31.2	33.9	-8.0	55.4	61.1	-9.3
Sparkling Total Volume	202.4	211.0	-4.1	362.9	380.7	-4.7
Water*	19.5	19.8	-1.9	32.8	32.7	0.1
Still Beverages**	11.5	12.8	-10.6	21.0	23.4	-10.1
Volume excluding jug	233.4	243.7	-4.2	416.7	436.8	-4.6
Jug	48.9	50.3	-2.6	89.1	89.0	0.0
Total Volume	282.3	293.9	-4.0	505.7	525.8	-3.8
Mix (%)						
Returnable	37.4	35.4	2.0	37.4	35.2	2.2
Non Returnable	62.6	64.6	-2.0	62.6	64.8	-2.2
Multi-serve	51.6	51.1	0.5	51.5	51.1	0.4
Single-serve	48.4	48.9	-0.5	48.5	48.9	-0.4
Income Statement (MM MXP)						
Net Sales	12,434	12,654	-1.7	22,513	22,643	-0.6
EBITDA	3,249	3,097	4.9	5,285	4,986	6.0

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

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

OPERATING RESULTS – NORTH AMERICA

- Mexico Beverages posted net sales of Ps. 11,355 million during 2Q14, with a decline in sales volume of 4% to 282 MUC, while market share continued to increase. The average price per unit case, excluding jug water, increased 2.1% to Ps. 47.31 in 2Q14. The strength of our product portfolio and our ability to efficiently manage our price architecture have proven effective at the point of sale where the preference for our products by consumers continues, thereby achieving the Company's short and long-term objectives.
- EBITDA reached Ps. 3,249 million, up 4.9% and representing a margin of 26.1%, 170 basis points higher than in 2Q13. For the first half of 2014, this line item reached Ps. 5,285 million, up 6% and representing a margin of 23.5%, up 150 basis points.

- Powerade consolidated its position as leader in the sports drink segment within the traditional channel, increasing its market share in 7 of the 8 regions in which we operate with 50% coverage within the franchise.
- As of June 30, 2014, jug water posted a 3.7% sales increase when compared to the same period in 2013, with flat volumes in the face of strong competition within an environment of low purchasing power. DTH sales reached 261 distribution routes of which 210 already include Santa Clara in their portfolio, thereby increasing the product offering directly at the homes of our consumers.
- AC reached 65% RTM (Route to Market) coverage upon adding the distribution centers of Zapopan and San Luis. With this added coverage, the Company has achieved favorable results in servicing costs, with greater efficiencies and strengthening execution at the point of sale.
- With a 1.8% rise in revenues for 2Q14 when compared to 2Q13, the vending machine business was able to maintain the growth trend achieved in 2014, with accumulated sales growth of 3.1% when compared to the first half of 2013 thanks to this business' efficient service model.
- Nostalgia continues posting strong results in the U.S. strengthening its presence and preference among consumers. Besides offering Coca-Cola brand products, Arca Continental's flavored brands have been highly successful, including the recent launch of Fanta Variety Pack, a Fanta pack with 3 different flavors.
- Topo Chico increased its sales volume in the U.S. by 6.4%, increasing promotions such as the Topo Chico 4-Pack sold at major retail chains in Southern Texas.
- Bokados has had a strong first half of the year. The investments made, launching of new products and the projects initiated to improve the service to our clients, enabled us to capture opportunities in a market affected by the price increase due to the special tax passed on to consumers. The Wise product portfolio in Mexico has been expanded to include All Natural Potato Chips and Butter Popcorn, and innovative products based on mixes have been launched, thereby maintaining growth in volume, sales and EBITDA.
- In the U.S., Wise has increased sales volume and revenues even despite adverse weather conditions in the first half of the year. Coverage has increased in Alabama, Mississippi, Louisiana and the South through major retail chains.

AC SOUTH AMERICA

On April 15, 2014, Arca Continental completed, in association with The Coca-Cola Company, the acquisition of a majority stake in Holding Tonicorp, S.A. This association was done via a joint agreement whereby each party owns a 50% stake; in this report on the second quarter 2014 results, we consolidate our proportional results in this business.

Table 4: South America Data

	2Q14	2Q13	Variation %	Jan - Jun '14	Jan - Jun '13	Variation %
Volume by Category (MUC)						
Colas	38.7	38.1	1.4	78.0	78.4	-0.6
Flavors	17.8	18.2	-2.6	38.1	39.0	-2.4
Sparkling Total Volume	56.4	56.4	0.1	116.0	117.4	-1.2
Water*	5.3	5.5	-4.2	11.3	10.5	6.9
Still Beverages**	4.5	4.7	-3.8	9.0	9.1	-0.9
Total Volume	66.2	66.6	-0.5	136.3	137.0	-0.5
Mix (%)						
Returnable	31.5	29.3	2.2	31.3	30.1	1.2
Non Returnable	68.5	70.7	-2.2	68.7	69.9	-1.2
Multi-serve	81.8	82.6	-0.8	82.3	83.1	-0.8
Single-serve	18.2	17.4	0.8	17.7	16.9	0.8
Income Statement (MM MXP)						
Net Sales	3,524	3,171	11.1	6,815	6,557	3.9
EBITDA	575	513	12.2	1,194	1,097	8.8

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

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

OPERATING RESULTS – SOUTH AMERICA

- Net sales for the South America Division have been impacted primarily by the weak economic conditions, the reduction in wages in real terms in Argentina and the devaluation of the Argentine peso. This line item increased 11.1% to Ps. 3,524 million in 2Q14; excluding the effects of Tonicorp, this figure decreased 6.7%. Net sales for the first half of 2014 were Ps. 6,815 million, 3.9% above the same period last year, and down 4.7% excluding Tonicorp.
- Total sales volume for South America remained practically flat when compared to 2Q13, with a 1.4% increase in the Colas segment, a loss posted in the still beverage segment and drops of 4.2% in single serve water and 3.8% in juices and teas.

- EBITDA for South America increased 12.2% to Ps. 575 million in 2Q14, for a margin of 16.3%, up 10 basis points over the same period last year.
- Net income for the second quarter of 2014 reached Ps. 228 million, representing a net margin of 6.5%. For the first half of 2014, this figure reached Ps. 532 million which remained flat versus the same period last year.

Argentina

- Sales volume declined 1.7% in 2Q14, mainly as a result of tough economic conditions and the reduction in wages in real terms. The colas segment increased 2.8% while still beverages increased 0.6% when compared to the same period in 2013, partially offsetting the 11% drop in the flavors segment. In the first six months of 2014, sales volume in Argentina decreased 3.2%.
- Through market-focused initiatives, as well as an increase in cooler coverage, we maintained our lead position in the sparkling beverage segment and continue improving our share of the still beverage segment, particularly sports drinks.
- In our territories, we increased our mix of returnable packages by 3.5 percentage points thanks to the expansion of packaging coverage, such as the 2-liter Re-PET format, thereby maintaining affordability for our consumers.
- We continue expanding our portfolio of Aquarius flavored water, with the launch of the 2.25-liter one-way PET presentation, driving growth in this category.
- In Formosa, we initiated in-line blowing production which will yield major benefits by reducing fleet costs and production times from the transportation of containers.

Ecuador

- Sales volume in Ecuador for 2Q14 remained flat when compared to 2Q13 due to the 3.2% increase in the flavors segment offset by the 4.1% decline in still beverages. In the first half of 2014, volumes increased 1.8% when compared to 2013, mainly due to the 16.4% increase in single serve water volume.
- We continue expanding our coverage of chilled beverages in Ecuador, with over 11 thousand coolers installed in the first half of the year, reaching 43% cooler coverage.
- In terms of teas, we gained 2.2 percentage points in market share, thereby consolidating our position as leaders in this segment with 78.7% market share.
- Single serve presentations have consistently improved volume in the first half of the year, with 26% of the product mix, bringing higher profitability to the operation.
- As of June 2014, Tonicorp has posted double-digit EBITDA and net income growth, while continuing the standardization process and adoption of its operations.

RECENT EVENTS

- Latin Finance presented Arca Continental the award for “Best Managed Mexican Corporate”. To select the winner, the editors of this publication took into account qualitative and quantitative factors, including market opinions obtained via surveys.
- Arca Continental Argentina inaugurated a new Hot-Fill production line in its Salta plant. With an investment exceeding US\$20 million, the Salta plant increases its capacity and operating flexibility. This investment is in addition to the US\$40 million invested in 2013 as part of the strategic plan to reinforce the production operations in this country, which will continue over the next 2 years, in the various operations of the Company in Northern Argentina.
- On April 15, 2014, we completed our association with The Coca-Cola Company to acquire a majority stake in Holding Tonicorp, S.A.

CONFERENCE CALL INFORMATION

Arca Continental will host a conference call on Thursday, July 17, 2014 to discuss these results at 9:00 am Mexico/Monterrey time / 10:00 am New York time. A live webcast of this event is available at: www.arcacontal/inversionistas or connect via telephone by dialing:

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About Arca Continental

Arca Continental produces, distributes and sells non-alcoholic beverages under The Coca-Cola Company brand, as well as snacks under the brands of Bokados in Mexico, Inalecsa in Ecuador and Wise in the U.S. with an outstanding history spanning more than 85 years, Arca Continental is the second-largest Coca-Cola bottler in Latin America and one of the largest in the world. Within its Coca-Cola franchise territory, the Company serves over 53 million consumers in Northern and Western Mexico, Ecuador and Northern Argentina. The Company's shares trade on the Mexican Stock Exchange under the ticker symbol "AC". For more information on Arca Continental, please visit www.arcacontal.com or download the [AC Investor](#) iPad app.

This material may contain forward-looking statements regarding Arca Continental and its subsidiaries based on management's expectations. This information as well as statements regarding future events and expectations is subject to risks and uncertainties, as well as factors that could cause the results, performance and achievements of the Company to differ at any time. Such factors include changes in the general economic, political, governmental and commercial conditions both domestically and globally, as well as variations in interest rates, inflation rates, exchange rate volatility, tax rates, the demand for and the price of carbonated beverages, water, and the price of sugar and other raw materials used in the production of sparkling beverages, weather conditions and various others. As a result of these risks and factors, actual results could be materially different from the estimates provided; therefore, Arca Continental does not accept responsibility for any variations or for the information provided by official sources.

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

			Variation				Variation	
	2Q14	2Q13	MM MXP	%	Jan - Jun '14	Jan - Jun '13	MM MXP	%
Net sales	15,958	15,825	133	0.8	29,328	29,200	128	0.4
Cost of Sales	8,076	8,277	-201	(2.4)	14,959	15,552	-593	(3.8)
Gross Profit	7,882	7,548	334	4.4	14,369	13,648	721	5.3
	49.4%	47.7%			49.0%	46.7%		
Selling Expenses	4,011	3,735	276	7.4	7,638	7,162	476	6.7
Administrative Expenses	848	878	-29	(3.4)	1,678	1,696	-18	(1.1)
Total Costs	4,859	4,613	246	5.3	9,316	8,858	458	5.2
	30.5%	29.1%			31.8%	30.3%		
Non Recurring Expenses	52	30	22	71.9	56	93	-37	(40.1)
Operating Income before other income	2,970	2,905	66	2.3	4,998	4,697	301	6.4
Other Income (Expenses) ¹	134	20	114	578.9	134	44	89	201.8
Operating Income	3,105	2,925	180	6.1	5,131	4,741	390	8.2
	19.5%	18.5%			17.5%	16.2%		
Interest Expense Net	-250	-226	-23	10.4	-483	-441	-42	9.6
Exchange Gain (Loss)	-13	-25	12	(46.5)	-8	-32	25	(76.3)
Comprehensive Financial Results	-263	-251	-12	4.7	-491	-474	-18	3.7
Share of net income of associates ²	25	38	-13	(33.8)	33	72	-39	(54.2)
Earnings Before Taxes	2,867	2,712	155	5.7	4,673	4,340	333	7.7
Profit Taxes	882	773	109	14.1	1,455	1,240	216	17.4
Non-controlling interest	-50	-62	12	(19.3)	-121	-133	12	(8.9)
Net Profit	1,935	1,878	58	3.1	3,097	2,967	130	4.4
	12.1%	11.9%			10.6%	10.2%		
Depreciation and amortization	667	655	12	1.9	1,291	1,249	42	3.3
EBITDA	3,824	3,610	214	5.9	6,478	6,084	394	6.5
	24.0%	22.8%			22.1%	20.8%		

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

¹ Includes equity method from our participation in operational companies like Jugos del Valle, IEQSA and Bebidas Refrescantes de Nogales

² 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)

	June 30	December 31	Variation	
	2014	2013	MM MXP	%
ASSETS				
Cash and cash equivalents	7,318	2,566	4,753	185.2
Accounts receivable; Net	3,739	3,176	563	17.7
Inventories	2,361	2,317	43	1.9
Prepayments	319	180	139	77.0
Total Current Assets	13,737	8,239	5,498	66.7
Investments in shares and other investments	3,889	3,801	88	2.3
Property, plant and other equipment	24,373	24,171	202	0.8
Other non current assets	31,640	30,137	1,503	5.0
Total Assets	73,639	66,349	7,290	11.0
LIABILITIES				
Short term bank loans	3,172	2,376	795	33.5
Suppliers	5,094	4,297	797	18.6
Accounts payable and taxes	2,203	1,376	827	60.1
Total Current Liabilities	10,469	8,049	2,420	30.1
Bank Loans and long term liabilities	13,491	11,701	1,790	15.3
Deferred income tax and others	5,528	5,415	113	2.1
Total Liabilities	29,488	25,165	4,323	17.2
SHAREHOLDER'S EQUITY				
Non controlled participation	2,974	2,831	142	5.0
Capital Stock	29,090	29,066	23	0.1
Retained Earnings	8,991	3,314	5,677	171.3
Net Profit	3,097	5,973	-2,876	-48.2
Total Shareholders' Equity	44,151	41,184	2,967	7.2
Total Liabilities and Shareholders' Equity	73,639	66,349	7,290	11.0

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

	as of june 30	
	2014	2013
Earnings Before Taxes	4,673	4,340
Depreciation and amortization	1,291	1,249
Gain on sale and fixed assets impairment	173	143
Accrued interests	484	547
Operating cash flow before taxes	6,621	6,279
Cashflow generated/used in the operation	-212	-2,515
Operating cashflow after working capital	6,409	3,764
Investment Activities:		
Capital Expenditure (Net)	-3,881	-1,793
Financing Activities:		
Dividends paid	0	-2,435
Share repurchase program	433	-22
Debt amortization	2,379	2,822
Paid interests	-484	-547
Other	-3	-17
Net cash flow	2,325	-199
Net increase of cash and equivalents	4,854	1,772
Change in Cash	-101	-32
Initial cash and equivalents balance	2,566	2,676
Final cash and equivalents balance	7,318	4,416