

## EARNINGS RELEASE

### ARCA CONTINENTAL REPORTS REVENUE GROWTH OF 16.6% WITH EBITDA UP 16.8% IN 1Q17

Monterrey, Mexico, April 28, 2017 – Arca Continental, S.A.B. de C.V. (BMV: AC\*) (“Arca Continental” or “AC”), the second-largest Coca-Cola bottler in Latin America, announced today its results for the first quarter of 2017 (“1Q17”).

**Table 1: Financial Highlights**

Data in millions of mexican pesos			
	1Q17	1Q16	Variation %
<b>Total Beverage Volume (MUC)</b>	<b>417.4</b>	<b>408.5</b>	2.2
<b>Net Sales</b>	<b>24,802</b>	<b>21,274</b>	16.6
<b>EBITDA</b>	<b>5,002</b>	<b>4,281</b>	16.8
<b>Net Income</b>	<b>1,729</b>	<b>1,871</b>	-7.6

*Total Beverage Volume includes jug water*

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

#### 1Q17 HIGHLIGHTS

- Net sales reached Ps. 24,802 million, 16.6% higher than in 1Q16.
- EBITDA was Ps. 5,002 million, representing a margin of 20.2%, 16.8% higher than 1Q16.
- Net income declined by 7.6% to Ps. 1,729 million for a margin of 7%.

#### COMMENTS FROM THE CEO

“In the first quarter of the year we continued to deliver solid results, with top line growth of 16.6% and EBITDA up 16.8%, thanks to our ability to evolve through innovation in our market execution initiatives, as well as adapt efficiently to climates of economic volatility, always committed to our philosophy of satisfying the needs of our clients and consumers to continue delivering positive results”, commented Francisco Garza Egloff, Chief Executive Officer of Arca Continental.

“As such, on April 1st we closed the transaction to become the first Latin American bottler to operate a Coca-Cola franchise in the U.S., in the state of Texas and parts of Oklahoma, New Mexico and Arkansas, which will expand our geographic footprint in the American continent and give us access to a potential market of 30 million consumers, allowing us to reach a third of our sales in dollars to further strengthen our financial position”, he added.

## CONSOLIDATED RESULTS

The figures presented in this report were prepared in accordance with International Financial Reporting Standards ("IFRS").

Table 2: Consolidated Data

	1Q17	1Q16	Variation %
<b>Volume by category (MUC)</b>			
Colas	242.3	237.4	2.0
Flavors	57.0	59.2	-3.8
<b>Sparkling Total Volume</b>	<b>299.2</b>	<b>296.6</b>	0.9
Water*	43.4	39.8	9.1
Still Beverages**	24.5	24.3	1.0
<b>Volume excluding jug</b>	<b>367.2</b>	<b>360.7</b>	1.8
Jug	50.2	47.9	5.0
<b>Total Volume</b>	<b>417.4</b>	<b>408.5</b>	2.2
<b>Income Statement (MM MXP)</b>			
Net sales	24,802	21,274	16.6
EBITDA	5,002	4,281	16.8

\* 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 1Q17 reached Ps. 24,802 million, up 16.6% (11.1% currency-neutral) compared to 1Q16.
- Volume in 1Q17 was positive, closing 2.2% above the same period of last year. Sparkling beverages grew 1% while still beverages and bottled water increased 1% and 9.1%, respectively.
- During 1Q17, cost of sales rose 16.3% mainly due to higher sugar prices and the exchange rate effect on our dollarized raw materials. Consolidated gross profit grew 17% to Ps. 11,586 million, reflecting a gross margin of 46.7%.

- Selling and administrative expenses increased 17.5%, from Ps. 6,748 million to Ps. 7,932 million in 1Q17; this line item reflects the rise in gasoline prices in Mexico, machinery and transportation equipment maintenance, as well as the depreciation of the Mexican peso versus the South American currencies.
- Consolidated operating income rose 9.5% compared to 1Q16 to Ps. 3,463 million in 1Q17, representing an operating margin of 14%.
- Consolidated EBITDA in 1Q17 reached Ps. 5,002 million for a margin of 20.2% and growth of 16.8%. On a currency-neutral basis, EBITDA grew 11.2% in 1Q17.
- The comprehensive financing result in 1Q17 was Ps. 635 million compared to Ps. 130 million in 1Q16, mainly due to the increase in interest expenses derived from the debt restructure executed in the transaction with The Coca-Cola Company as well as the no benefit from an exchange gain versus last year.
- Income tax provision for 1Q17 was Ps. 885 million, 6.1% below 1Q16, reflecting an effective tax rate of 31.1%.
- Arca Continental reported net income of Ps. 1,729 million in 1Q17, 7.6% lower, reflecting a margin of 7%.

### **BALANCE SHEET & CASH FLOW STATEMENT**

- As of March 31, 2017, AC registered a cash balance of Ps. 15,741 million and debt of Ps. 42,758 million, resulting in a net debt position of Ps. 27,017 million. The Net Debt/EBITDA ratio was 1.3x.
- Net operating cash flow reached Ps. 2,715 million in 1Q17.
- As of March 31, 2017, Capex was Ps. 1,939 million, mainly allocated towards initiatives and innovation in the market as well as expansion of production and distribution capacities. The CAPEX budget planned for 2017 of Ps. 10 billion will be focused towards strengthening operations, perfecting execution at the point of sale and expanding production capacities in Mexico, United States and South America, as well as fortifying our complementary businesses to seek new avenues of profitable growth.

## 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 Peru, and beverages and snacks in Ecuador.

**Table 3: North America Data**

	1Q17	1Q16	Variation %
<b>Volume by Category (MUC)</b>			
Colas	155.2	150.1	3.4
Flavors	31.1	29.0	7.2
<b>Sparkling Total Volume</b>	<b>186.4</b>	<b>179.2</b>	4.0
Water*	18.7	16.8	11.6
Still Beverages**	13.7	12.3	11.2
<b>Volume excluding jug</b>	<b>218.8</b>	<b>208.3</b>	5.0
Jug	45.6	42.9	6.3
<b>Total Volume</b>	<b>264.4</b>	<b>251.2</b>	5.3
<b>Mix (%)</b>			
Returnable	32.3	35.2	-2.9
Non Returnable	67.7	64.8	2.9
Multi-serve	51.8	52.3	-0.5
Single-Serve	48.2	47.7	0.5
<b>Income Statement (MM MX)</b>			
Net Sales	13,873	12,133	14.3
EBITDA	2,714	2,492	8.9

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

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

### OPERATING RESULTS FOR NORTH AMERICA

- During 1Q17 Mexico Beverages posted net sales of Ps. 12,393 million, while sales volume grew 5.3% to 264 MUC. The average price per unit case, excluding jug water, increased 9.7% to Ps. 55.18 in 1Q17.

- EBITDA for North America reached Ps. 2,714 million in 1Q17, up 8.9% and representing a margin of 19.6%.
- In the start of the year, we continued working on our ACT model with various initiatives that will bring innovation in our market execution, such as the automatization of our sales force through which we can identify the most important market variables in order to make the most impact on our service and segmentation models by providing clear instructions at the point of sale to our sales force through the use of a mobile execution app.
- Powerade grew 19.4% in 1Q17, continuing the positive trend of 2016, while increasing its coverage by nearly 50% in the traditional channel.
- During the quarter, Juices and Nectars grew 10.1%, with 67.2% coverage in the traditional channel, strengthening its leadership and market share.
- Results for Monster were favorable this quarter having reached 18% coverage in the traditional channel, with Arca Continental registering the highest growth in the brand in Mexico at 38% versus last year.
- In 1Q17 the bottled water category grew 11.2%, focused on increasing the availability of our basic packages, reaching 63% of our largest industrial customers while unforgivable achieved 77% coverage in our main customers for this category.
- Santa Clara reached 42.2% coverage in the traditional channel and 30% in all channels during 1Q17. This enabled a CAGR of 9.5% through the installation of over 2,400 coolers.
- In the Direct to Home (DTH) sales channel we continued our positive trend in the start of the year with an 11.1% increase in sales volume in which single serve formats represented 55% of the sales volume mix and 66% of net sales.
- Vending posted net sales growth of 14.5% in 1Q17, with nearly 5% higher volume and an 11.3% increase in the average price per transaction. We also expanded coverage of our machines by 3.8% to capture over 800 new clients during the period.
- Exports began the year on a positive note with Topo Chico sales volume up 21.8% and net sales up 26.3%. The price increases that have taken place since 2Q16 have continued to generate better profitability. Furthermore, the activations in the modern channel reflect an increase in market share versus last year.
- Net sales for Bokados increased by low single digits in 1Q17. The main strategies that drove results for the quarter were the increase in coverage of key products by sales region and the special attention given to the modern channel.
- During 1Q17, in the snacks business In the U.S. we continued expanding distribution to more than 567 points of sale; we expanded our Si Señor brand to new points of sale in the Southeastern and Southwestern U.S.

## AC SOUTH AMERICA

**Table 4: South America Data**

	1Q17	1Q16	Variation %
<b>Volume by Category (MUC)</b>			
Colas	87.0	87.3	-0.3
Flavors	25.8	30.1	-14.1
<b>Sparkling Total Volume</b>	<b>112.9</b>	<b>117.4</b>	-3.9
Water*	24.7	23.0	7.3
Still Beverages**	10.8	12.0	-9.6
<b>Volume excluding jug</b>	<b>148.4</b>	<b>152.4</b>	-2.6
Jug	4.6	5.0	-6.5
<b>Total Volume</b>	<b>153.0</b>	<b>157.3</b>	-2.8
<b>Mix (%)</b>			
Returnable	29.4	30.6	-1.2
Non Returnable	70.6	69.4	1.2
Multi-serve	68.5	70.1	-1.6
Single-serve	31.5	29.9	1.6
<b>Income Statement (MM MX)</b>			
Net Sales	10,930	9,141	19.6
EBITDA	2,288	1,789	27.9

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

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

### OPERATING RESULTS FOR SOUTH AMERICA

- Net sales for South America increased 19.6% to Ps. 10,930 million in 1Q17. This was mainly due to the proper management of our price-pack architecture as well as the effect of the peso devaluation against the Argentine peso, U.S. dollar and Peruvian sol.
- Total sales volume for South America declined by 2.8% in 1Q17, mainly from the 3.9% drop in sparklings and 9.6% in stills, partially offset by a 7.3% increase in water.
- In 1Q17 EBITDA for South America increased 27.9% to Ps. 2,288 million, reflecting a margin of 20.9%, 140 basis points higher than in 1Q16.

- Net Income reached Ps. 1,006 million for an increase of 24.7% in 1Q17 and representing a margin of 9.2%.

### Argentina

- In the first three months of 2017 sales volume declined 2.5%, mainly due to the poor performance of all categories: sparklings declined 2.2%, still beverages were down 14.2% while water remained unchanged versus last year.
- We continued innovating with single serve packages by launching Coca-Cola and Coca-Cola Zero in 375 ml with 55% coverage which allows us to manage a better price-pack architecture to maintain the affordability of our products for consumers.
- We continued to roll out our ACT model focused on expanding our operating capabilities, such as having a balanced price-pack architecture, increasing coverage of returnable formats and focusing on market fundamentals that will enable us to maintain the profitability of our operations.

### Ecuador

- In Ecuador, during 1Q17 sales volume decreased 12.8%, driven by a 10.6% decline in sparklings, 11.4% drop in water with still beverages down 20.6%.
- We continued investing in cooler coverage to reach 47%, which in conjunction with the launching of new single serve formats has achieved a mix of 34%, 5 p.p. higher than 1Q16.
- During the quarter we continued our strategy of strengthening our no-calorie product portfolio with the launch of Fanta 2.0 and Dasani 1200cc to incorporate new options for our consumers.
- During 1Q17, at Tonicorp we were able to grow our market share in all categories mainly due to 3 strategies: increase frequencies, improve accessibility and expand market penetration.
- Inalecsa posted positive results. In the bakery category, the launch of Bizcotelas (4 pack) continued to have excellent results during the quarter with growth above 25% when compared to 1Q16.

### Peru

- In 1Q17 sales volume increased 1.5%, mainly driven by a 12.9% increase in single serve water while sparkling and stills remained at the same levels versus last year.
- During the quarter we focused on the Zero platforms for Coca-Cola and Inca Kola with the launch of the new 300ml PET at affordable prices, which achieved 33% growth in the no calorie category.
- We continued to develop key accounts with the Siglo XXI, Bodega ad Elegida programs as well as promotions with on premise clients.
- New promotions as well as launches of single serve formats have enabled us to reach a mix of 39.4% in the first three months of the year.

## RECENT EVENTS

- On March 28, 2017, in conjunction with The Coca-Cola Company and other bottler partners, AC announced the closing of the acquisition of the soy-based beverage business AdeS from Unilever.
- On April 1, 2017, AC announced the closing of the transaction with The Coca-Cola Company ("TCCC") to initiate operations as the exclusive bottler of a franchise in the Southwestern U.S. consisting of Texas and parts of Oklahoma, New Mexico and Arkansas ("the Territory"), so long as the agreed-upon conditions are met, including approval at the Arca Continental Shareholders' Meeting and the non-objection of the Federal Anti-trust Authority.
- On April 27, 2017, the Annual Shareholders' Meeting of Arca Continental declared a cash dividend of Ps. 2.00 per share to be paid in one payment as of May 11, 2017, equivalent to a total of Ps. 3,528 million, representing an increase of 8% over the dividend paid in 2016.

## CONFERENCE CALL INFORMATION

Arca Continental will host a conference call on April 28, 2017 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](http://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 (México)
- Passcode: 36151

## 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 91 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 118 million consumers in Northern and Western Mexico, Ecuador, Peru, Northern Argentina and the Southwest region of the U.S. 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](http://www.arcacontal.com)

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	
	1Q17	1Q16	MM MXP	%
Net sales	24,802	21,274	3,529	16.6
Cost of Sales	13,217	11,360	1,857	16.3
<b>Gross Profit</b>	<b>11,586</b>	<b>9,914</b>	1,672	16.9
	46.7%	46.6%		
Selling Expenses	6,526	5,587	939	16.8
Administrative Expenses	1,406	1,161	245	21.1
Total Costs	7,932	6,748	1,184	17.5
	32.0%	31.7%		
Non Recurring Expenses	249	35	213	601.6
<b>Operating Income before other income</b>	<b>3,406</b>	<b>3,131</b>	275	8.8
Other Income (Expenses) <sup>1</sup>	57	31	26	84.1
<b>Operating Income</b>	<b>3,463</b>	<b>3,162</b>	301	9.5
	14.0%	14.9%		
Interest Expense Net	-625	-407	-218	53.5
Exchange Gain (Loss)	-9	278	-287	(103.3)
Comprehensive Financial Results	-635	-130	-505	389.1
Share of net income of associates <sup>2</sup>	21	50	-29	(58.3)
<b>Earnings Before Taxes</b>	<b>2,849</b>	<b>3,083</b>	-233	(7.6)
Profit Taxes	885	942	-57	(6.1)
Non-controlling interest	-235	-270	34	(12.6)
<b>Net Profit</b>	<b>1,729</b>	<b>1,871</b>	-142	(7.6)
	7.0%	8.8%		
Depreciation and amortization	1,291	1,084	207	19.1
<b>EBITDA</b>	<b>5,002</b>	<b>4,281</b>	721	16.8
	20.2%	20.1%		

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

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

<sup>2</sup> 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	December 31	Variation	
	2017	2016	MM MXP	%
<b>ASSETS</b>				
Cash and cash equivalents	15,741	5,546	10,194	183.8
Accounts receivable; Net	6,176	6,640	-464	-7.0
Inventories	5,110	5,126	-16	-0.3
Prepayments	557	338	219	64.9
<b>Total Current Assets</b>	<b>27,584</b>	<b>17,650</b>	9,934	56.3
Investments in shares and other investments	5,763	5,211	552	10.6
Property, plant and other equipment	47,553	49,233	-1,681	-3.4
Other non current assets	64,668	66,830	-2,162	-3.2
<b>Total Assets</b>	<b>145,567</b>	<b>138,924</b>	6,643	4.8
<b>LIABILITIES</b>				
Short term bank loans	18,835	4,368	14,466	331.2
Suppliers	9,962	10,550	-588	-5.6
Accounts payable and taxes	3,323	3,441	-117	-3.4
<b>Total Current Liabilities</b>	<b>32,121</b>	<b>18,359</b>	13,761	75.0
Bank Loans and long term liabilities	23,923	26,816	-2,893	-10.8
Deferred income tax and others	12,241	13,428	-1,188	-8.8
<b>Total Liabilities</b>	<b>68,284</b>	<b>58,603</b>	9,681	16.5
<b>SHAREHOLDER'S EQUITY</b>				
Non controlled participation	7,541	8,896	-1,356	-15.2
Capital Stock	35,537	35,531	6	0.0
Retained Earnings	32,477	26,860	5,617	20.9
Net Profit	1,729	9,034	-7,305	-80.9
<b>Total Shareholders' Equity</b>	<b>77,283</b>	<b>80,321</b>	-3,038	-3.8
<b>Total Liabilities and Shareholders' Equity</b>	<b>145,567</b>	<b>138,924</b>	6,643	4.8

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

	as of march 31	
	2017	2016
<b>Earnings Before Taxes</b>	<b>2,849</b>	<b>3,083</b>
Depreciation and amortization	1,291	1,084
Gain on sale and fixed assets impairment	99	76
Foreign exchange	9	-278
Accrued interests	625	407
<b>Operating cash flow before taxes</b>	<b>4,873</b>	<b>4,372</b>
Cashflow generated/used in the operation	-2,158	-890
<b>Operating cashflow after working capital</b>	<b>2,715</b>	<b>3,482</b>
Investment Activities:		
Capital Expenditures and Investments (Net)	-4,322	-3,269
Financing Activities:		
Dividends paid	0	0
Share repurchase program	-199	94
Debt amortization	12,611	-7,413
Paid interests	-504	-321
Capital increase	0	7,371
Other	0	-22
<b>Net cash flow</b>	<b>11,908</b>	<b>-290</b>
Net increase of cash and equivalents	10,300	-77
Change in Cash	-106	-116
<b>Initial cash and equivalents balance</b>	<b>5,546</b>	<b>8,295</b>
<b>Final cash and equivalents balance</b>	<b>15,741</b>	<b>8,102</b>