

MEXICAN ECONOMIC DEVELOPMENT INC
Form 6-K
April 28, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of April 2006

FOMENTO ECONÓMICO MEXICANO, S.A. DE C.V.

(Exact name of Registrant as specified in its charter)

Mexican Economic Development, Inc.
(Translation of Registrant's name into English)

United Mexican States
(Jurisdiction of incorporation or organization)

**General Anaya No. 601 Pte.
Colonia Bella Vista
Monterrey, Nuevo León 64410
México**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form	Form
20-F	40-F
<input checked="" type="checkbox"/>	<input type="checkbox"/>

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>

If ☒ Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

**FEMSA Reports Double-Digit Growth in
Top-line and in Profitability for 1Q06**

Monterrey, Mexico, April 28, 2006 Fomento Económico Mexicano, S.A. de C.V. (FEMSA) today announced its operational and financial results for the first quarter of 2006.

1Q06 Highlights:

Consolidated total revenues increased 15%, income from operations increased 14.5%, and net majority income increased 45%. All operating units contributed to this growth.

Coca-Cola FEMSA total sales volume increased 6.4% and income from operations increased 8%. Brazil and Mexico stand out with 9% and 8% respective increases in sales volume.

FEMSA Cerveza (excluding Kaiser) total revenues increased 11% and income from operations increased 18%. Domestic sales volume increased 3.6% and export sales volume increased 42% due to strong sales growth in the U.S. and a favorable comparison.

Oxxo increased its revenues by 19% driven by 73 net new stores and a 7.4% increase in same-store sales. There are now over 4,200 Oxxo stores throughout Mexico.

Driven by the focus and determination of our team, we delivered a quarter of solid growth in each one of our business units. We are facing positive trends in Mexico and Brazil and we are capitalizing on this by increasing innovation and enhancing execution. We continue to bring our soft drinks, beer, and Oxxo store operations closer together. We are confident that an integrated beverage strategy is the best way to grow in the region and I believe as a company we are in the best shape ever to face the challenges and opportunities going forward.

Kaiser represents an important addition to our total beverage strategy in the region, and we are already making progress in streamlining the operations, identifying and pursuing areas of opportunity, and developing market initiatives that will enable us to compete profitably in the Brazilian beer market for the long-term , commented José Antonio Fernández, Chairman and CEO of FEMSA.

FEMSA Consolidated

Total revenues increased 15.2% to Ps. 27.525 billion in 1Q06. This increase was primarily driven by total revenue growth of 18.6% at the Oxxo retail chain, followed by the inclusion of a full quarter of Kaiser operations, and total revenue growth of 10.7% at FEMSA Cerveza and of 7.9% at Coca-Cola FEMSA. Performance was strong in Mexico and Brazil in soft drinks, and in Mexico and the U.S. in beer sales.

Gross profit increased 15.6% to Ps. 12.597 billion in 1Q06, resulting in a gross margin increase of 20 basis points to 45.8% of total revenues. The gross margin expansion we experienced in the quarter resulted from a 180 basis point gross margin improvement at FEMSA Cerveza, mainly due to increased sales volumes, a higher price per hectoliter, and a strong peso on U.S. dollar-denominated raw materials. Partially offsetting this expansion was the greater contribution of the lower margin Oxxo retail operation, the inclusion of the lower margin Kaiser operations, and to a lesser extent a 20 basis point gross margin contraction at Coca-Cola FEMSA.

Income from operations increased 14.5% to Ps. 3.269 billion in 1Q06, resulting in a 10 basis point decrease in operating margin to 11.9% of total revenues. The slight decrease in operating margin was primarily attributable to the increased contribution of the Oxxo retail chain and the inclusion of Kaiser in our consolidated results, both of which have a lower margin than our other core operations. Partially offsetting this decrease was a 100 basis point margin improvement at FEMSA Cerveza and a stable operating margin of 15.2% at Coca-Cola FEMSA.

Net income increased 42.7% to Ps. 1.648 billion in 1Q06. The increase primarily resulted from strong growth in income from operations combined with a decrease in net interest expense and a reduction in the effective tax rate. The 9.7% reduction in interest expense primarily resulted from a significant reduction in the total level of debt. These factors more than compensated for a lower monetary gain due to the inflationary impact on our reduced net liabilities, and a foreign exchange loss due to the revaluation of the Mexican peso as applied to our US dollar debt. The effective tax rate for the quarter was 34.5%.

Net majority income per FEMSA Unit was Ps. 0.92 in 1Q06. Net majority income per FEMSA ADS, using an exchange rate of Ps. 10.95 per dollar, was US\$ 0.84 in the quarter.

Capital expenditures increased 18.2% to Ps. 1.263 billion in 1Q06, mainly reflecting increased investment at Coca-Cola FEMSA for manufacturing expansion and market investments in Latincentro and Mexico, and at Oxxo for new store growth, direct distribution, and expansion infrastructure.

Consolidated net debt. As of March 31, 2006, FEMSA recorded a cash balance of Ps. 7.915 billion (US\$ 723 million), short-term debt of Ps. 1.661 billion (US\$ 152 million), and long-term debt of Ps. 33.861 billion (US\$ 3.092 billion), for a net debt balance of Ps. 27.607 billion (US\$2.521 billion), 32.8% lower than on March 31, 2005, which reflects debt reduction of Ps. 11.7 billion.

Soft Drinks Coca-Cola FEMSA

Coca-Cola FEMSA's financial results and discussion are incorporated by reference from Coca-Cola FEMSA's press release attached to this press release.

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- 1 FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of March 31, 2006 was 1,192,742,090, equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.
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Beer FEMSA Cerveza

The information in this section for 2006 excludes Kaiser, which is discussed separately below, in order to facilitate comparability. Kaiser and FEMSA Cerveza consolidated information is presented in the attached tables.

Domestic sales volume in Mexico increased 3.6% to 5.5 million hectoliters in 1Q06. This growth resulted primarily from strong demand, which more than compensated for a difficult comparison base due to the *Semana Santa* holiday, which took place this year in April instead of March as in 2005. Once again, growth was led by our *Tecate Light*, *Sol*, and *Indio* brands.

Export sales volume increased 42.2% to 645 thousand hectoliters in 1Q06, primarily due to increased demand for our *Tecate* and *Dos Equis* brands in the U.S. as well as last year's lower comparable base, which resulted from our transition to Heineken USA in 1Q05. Together with Heineken USA, we continue to increase coverage and marketing for our brands in the U.S.

Total revenues increased 10.7% to Ps. 6.502 billion in 1Q06, primarily resulting from a 9.8% increase in beer sales and, to a lesser extent, a 16.7% increase in packaging sales driven by increased demand from Coca-Cola FEMSA. In beer sales, both total sales volume and domestic price per hectoliter positively contributed to beer sales growth, increasing 6.6% and 4.5%, respectively. In early January 2006, we increased domestic prices by an average of 3.5%, which combined with the price increase implemented during the end of the first quarter of 2005, resulted in a 4.5% increase in real domestic price per hectoliter for 1Q06. The export price per hectoliter decreased 12% in 1Q06 mainly due to a 9% average appreciation of the peso in real terms on our dollar-denominated sales, and to a lesser extent a mix effect as volumes in the Western U.S. grew very robustly off an easy comparison, aided in part by lower price per ounce presentations such as the successful 24 oz can of *Tecate*. Promotional activity was moderate.

Cost of sales increased 6.1% to Ps. 2.617 billion in 1Q06. This increase was slightly below the increase in sales volumes due to the net effect of improved fixed cost absorption and productivity improvements combined with the strengthening of the Mexican peso versus the US dollar in real terms, which more than compensated for the continued price increases of certain important raw materials such as aluminum and energy. Gross profit increased 14% to Ps. 3.885 billion in 1Q06, achieving 180 basis points of gross margin expansion and a gross margin of 59.8%.

Income from operations increased 18.4% to Ps. 976 million in 1Q06. This increase reflects increased total revenues and a lower cost of sales that offset increased selling expenses during the quarter. Operating expenses increased 12.5% to Ps. 2.909 billion reaching 44.8% of total revenues in 1Q06, 80 basis points higher than in 1Q05. Specifically, administrative expenses reached Ps. 890 million, representing a 10.1% increase over 1Q05 levels; however, this amount is consistent with the last three quarters of 2005. Selling expenses increased 13.6% to Ps. 2.019 billion driven by initiatives oriented towards strengthening our long-term competitive position in Mexico, such as product innovation, brand-equity building efforts and increased availability of our beers. Despite this increase in selling expenses, we achieved 100 basis points of operating margin expansion, reaching 15% of total revenues.

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Kaiser

On January 13, 2006, we acquired a controlling stake in Cervejarias Kaiser in Brazil. The information in this press release is for the first three months of 2006 of Kaiser under FEMSA Cerveza.

In 1Q06, Kaiser total revenues reached Ps. 966 million on sales volume of 2.0 million hectoliters. Cost of sales reached Ps. 534 million, resulting in a gross margin of 44.7% of total sales. Operating expenses represented 34.8% of total sales at Ps. 336 million, with administrative expenses of Ps. 100 million and selling expenses of Ps. 236 million. Income from operations reached Ps. 96 million in 1Q06, resulting in an operating margin of 9.9%.

During the quarter we closed Kaiser's sales and distribution center in São Paulo, and held beer-related training workshops for the KOF sales force, which is now responsible for the sales function of Kaiser in São Paulo. We created teams that developed a short-term action plan that identified opportunities and pursued a number of initiatives using our existing brands, and at the same time we established processes to analyze and design long-term business strategies with a focus on developing an effective brand portfolio.

Our initial emphasis is on returning the Kaiser operation to profitability and on stabilizing its competitive position, sales volume and operational scale. While our initial efforts helped to improve profitability in the first quarter, we expect to increase the level of investment focused on brand building and marketing efforts for the remainder of the year.

Oxxo Stores FEMSA Comercio

Total revenues increased 18.6% to Ps. 7.523 billion in 1Q06. The primary reason for the increase was the opening of 73 net new Oxxo stores in the quarter and a total of 651 net new Oxxo stores during the last twelve months for a total of 4,214 Oxxos nationwide.

Same-store sales increased an average of 7.4%, reflecting rapid expansion and stronger promotional activity that is driving increased traffic to our stores. More specifically, we experienced strong same-store sales in March, despite the negative calendar effect of the *Semana Santa* holiday, which took place in the second quarter of 2006, further attesting to the success of our in-store efforts.

Cost of sales increased 18% to Ps. 5.574 billion in 1Q06, resulting in a 40 basis point improvement in gross margin, reaching 25.9% of total revenues. This improvement resulted from better purchasing terms and coordinated efforts with our suppliers to provide the right promotions and the right products for consumers.

Income from operations increased 4% to Ps. 183 million in 1Q06, resulting in a 40 basis point decrease in the operating margin, reaching 2.4% of total revenues. Operating expenses increased 22.3% to Ps. 1.766 billion. Administrative expenses increased 18% to Ps. 157 million remaining in-line with total revenue growth. The operating margin pressure resulted from a 22.7% increase in selling expenses, which reached Ps. 1.609 billion in 1Q06. This increase was partially due to an increase in expenses related to the development of direct distribution capabilities, such as the closure of some existing distribution centers; by year-end we will have completed our network of 8 centers nationwide, all of them built within the last five years. Also impacting selling expenses were costs related to last year's robust store growth, such as increases in performance-based compensation as well as new personnel as we opened offices in Colima, Tapachula and Tuxtla. In addition, we saw an increase in electricity costs per store as a result of higher tariffs, unseasonably warm weather, and increased energy consumption as we continue to add to our fast-food capabilities.

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CONFERENCE CALL INFORMATION:

Our First Quarter 2006 Conference Call will be held on: Friday April 28, 2006, 2:30 P.M. EDT (1:30 PM Mexico City Time). To participate in the conference call, please dial: Domestic U.S.: 1-877-502-9272, International: 1-913-981-5581. This Conference Call will also be transmitted through live webcast at www.femsa.com/investor.

If you are unable to participate live, an instant replay of the conference call will be available through May 4, 2006. To listen to the replay please dial: Domestic U.S.: 1-888-203-1112; International: 1-719-457-0820, Passcode: 4387851.

Set forth in this press release is certain unaudited financial information for FEMSA for the first quarter of 2006 compared to the first quarter of 2005. We are a holding company whose principal activities are grouped under the following sub-holding companies and carried out by their respective operating subsidiaries: Coca-Cola FEMSA, S.A. de C.V., which engages in the production, distribution and marketing of non-alcoholic beverages; FEMSA Cerveza, S.A. de C.V., which engages in the production, distribution and marketing of beer; and FEMSA Comercio, S.A. de C.V., which engages in the operation of convenience stores.

All of the figures in this report were prepared in accordance with Mexican generally accepted accounting principles (Mexican GAAP) and have been restated in constant Mexican pesos (Pesos or Ps.) with purchasing power as of March 31, 2006. As a result, all percentage changes are expressed in real terms.

The translations of Mexican pesos into US dollars are included solely for the convenience of the reader, using the exchange rate provided by the company in the tables that accompany this release. The exchange rate used for this purpose is 10.951 Mexican pesos per US dollar, which is as of the end of the reporting period.

FORWARD LOOKING STATEMENTS

This report may contain certain forward-looking statements concerning our future performance that should be considered as good faith estimates made by us. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact our actual performance.

Six pages of tables and Coca-Cola FEMSA's press release to follow

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FEMSA
Consolidated Income Statement
Expressed in Millions of Pesos

For the first quarter of:

	2006	% of sales	2005	% of sales	% Increase
Net sales	27,429	99.7	23,749	99.4	15.5
Other operating revenues	96	0.3	146	0.6	(34.2)
Total revenues	27,525	100.0	23,895	100.0	15.2
Cost of sales	14,928	54.2	13,002	54.4	14.8
Gross profit	12,597	45.8	10,893	45.6	15.6
Administrative expenses	1,982	7.2	1,705	7.1	16.2
Selling expenses	7,346	26.7	6,332	26.5	16.0
Operating expenses	9,328	33.9	8,037	33.6	16.1
Income from operations	3,269	11.9	2,856	12.0	14.5
Interest expense	(964)		(1,067)		(9.7)
Interest income	161		124		29.8
Interest expense, net	(803)		(943)		(14.8)
Foreign exchange (loss) gain	(186)		(30)		N.S.
Gain (loss) on monetary position	232		319		(27.3)
Integral result of financing	(757)		(654)		15.7
Other (expenses) income	3		(126)		N.S.
Income before taxes	2,515		2,076		21.1
Taxes	(867)		(921)		(5.9)
Net income	1,648		1,155		42.7
Net majority income	1,098		756		45.2
Net minority income	550		399		37.8
EBITDA & CAPEX					
Income from operations	3,269	11.9	2,856	12	14.5
Depreciation	959	3.5	887	3.7	8.1
Amortization & other	891	3.2	776	3.2	14.8
EBITDA	5,119	18.6	4,519	18.9	13.3
CAPEX	1,263		1,068		18.2

FINANCIAL RATIOS

	2005	2004	Var. p.p.
Liquidity ⁽¹⁾	0.97	0.80	0.17
Interest coverage ⁽²⁾	6.37	4.79	1.58

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Leverage ⁽³⁾	0.99	1.33	(0.35)
Capitalization ⁽⁴⁾	35.28%	50.19%	(14.91)

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- (1) Total current assets / total current liabilities.
(2) Income from operations + depreciation + amortization & other / interest expense, net.
(3) Total liabilities / total stockholders' equity.
(4) Total debt / long-term debt + stockholders' equity.
Total debt = short-term bank loans + current maturities long-term debt + long-term bank loans and notes payable.
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FEMSA
Consolidated Balance Sheet
As of March 31:
(Expressed in Millions of Pesos as of March 31, 2006)

<i>ASSETS</i>	2006	2005	% Increase
Cash and cash equivalents	7,915	6,164	28.4
Accounts receivable	5,292	5,578	(5.1)
Inventories	6,597	5,613	17.5
Prepaid expenses and other	2,171	1,739	24.8
Total current assets	21,975	19,094	15.1
Property, plant and equipment, net	48,732	46,979	3.7
Intangible assets ⁽¹⁾	50,989	47,802	6.7
Deferred assets	8,224	7,099	15.8
Other assets	2,768	3,186	(13.1)
TOTAL ASSETS	132,688	124,160	6.9
<i>LIABILITIES & STOCKHOLDERS' EQUITY</i>			
Bank loans	1,661	6,385	(74.0)
Current maturities long-term debt	4,211	3,569	18.0
Interest payable	448	482	(7.1)
Operating liabilities	16,307	13,453	21.2
Total current liabilities	22,627	23,889	(5.3)
Long-term debt	29,650	37,268	(20.4)
Deferred income taxes	3,475	4,225	(17.8)
Labor liabilities	2,517	2,093	20.3
Other liabilities	7,600	3,433	121.4
Total liabilities	65,869	70,908	(7.1)
Total stockholders' equity	66,819	53,252	25.5
LIABILITIES AND STOCKHOLDERS' EQUITY	132,688	124,160	6.9

⁽¹⁾ Includes mainly the intangible assets generated by the acquisition of Panamco, 30% of FEMSA Cerveza and 68% of Kaiser.

March 31, 2006			
<i>DEBT MIX</i>	Ps.	% Integration	Average Rate
Nominated in:			
Mexican pesos	26,931	75.8%	9.7%
Dollars	7,051	19.9%	7.2%
Brazilian Reals	508	1.4%	18.0%
Venezuelan bolivars	427	1.2%	12.0%
Colombian pesos	379	1.1%	8.3%
Argentinian pesos	226	0.6%	9.1%

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Total debt	35,522	100.0%	9.3%
Fixed rate ⁽¹⁾	31,040	87.4%	
Variable rate ⁽¹⁾	4,482	12.6%	

<i>% of Total Debt</i>	2006	2007	2008	2009	2010	2011	2012+
DEBT MATURITY PROFILE	14.4%	11.0%	17.5%	19.2%	13.8%	3.4%	20.7%

⁽¹⁾ Includes the effect of interest rate swaps.

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Coca-Cola FEMSA
Results of Operations
Expressed in Millions of Pesos

For the first quarter of:

	2006	% of sales	2005	% of sales	% Increase
Net sales	12,714	99.6	11,730	99.2	8.4
Other revenues	51	0.4	98	0.8	(48.0)
Total revenues	12,765	100.0	11,828	100.0	7.9
Cost of sales	6,642	52.0	6,132	51.8	8.3
Gross profit	6,123	48.0	5,696	48.2	7.5
Administrative expenses	745	5.8	698	5.9	6.6
Sales expenses	3,442	27.0	3,204	27.1	7.4
Operating expenses	4,187	32.8	3,902	33.0	7.3
Income from operations	1,936	15.2	1,794	15.2	7.9
Depreciation	351	2.7	322	2.7	9.0
Amortization & other	304	2.4	288	2.4	5.6
EBITDA	2,591	20.3	2,404	20.3	7.8
Capital expenditures	421		195		115.9
Sales volumes (Millions of unit cases)					
Mexico	246.0	52.8	227.7	52.0	8.0
Central America	27.9	6.0	26.1	6.0	7.0
Colombia	42.1	9.0	42.2	9.6	(0.4)
Venezuela	41.0	8.8	40.4	9.2	1.5
Brazil	67.8	14.6	62.1	14.2	9.2
Argentina	41.2	8.9	39.3	9.0	4.8
Total Coca-Cola FEMSA	465.9	100.0	437.8	100.0	6.4

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FEMSA Cerveza

Results of Operations
Expressed in Millions of Pesos
For the first quarter of

	FEMSA Cerveza					Kaiser		Total FEMSA Cerveza	
	2006	% of sales	2005	% of sales	% Increase	2006	% of sales	2006	% of sales
Domestic beer sales	5,149	79.2	4,757	81.0	8.2	966	100.0	6,115	81.9
Export beer sales	622	9.6	497	8.4	25.2			622	8.3
Beer sales	5,771	88.8	5,254	89.4	9.8	966	100.0	6,737	90.2
Packaging sales	684	10.5	586	10.0	16.7			684	9.2
Net sales	6,455	99.3	5,840	99.4	10.5	966	100.0	7,421	99.4
Other revenues	47	0.7	35	0.6	34.3			47	0.6
Total revenues	6,502	100.0	5,875	100.0	10.7	966	100.0	7,468	100.0
Cost of sales	2,617	40.2	2,466	42.0	6.1	534	55.3	3,151	42.2
Gross profit	3,885	59.8	3,409	58.0	14.0	432	44.7	4,317	57.8
Administrative expenses	890	13.7	808	13.8	10.1	100	10.4	990	13.3
Sales expenses	2,019	31.1	1,777	30.2	13.6	236	24.4	2,255	30.1
Operating expenses	2,909	44.8	2,585	44.0	12.5	336	34.8	3,245	43.4
Income from operations	976	15.0	824	14.0	18.4	96	9.9	1,072	14.4
Depreciation	351	5.4	375	6.4	(6.4)	28	2.9	379	5.1
Amortization & other	573	8.8	511	8.7	12.1	10	1.1	583	7.7
EBITDA	1,900	29.2	1,710	29.1	11.1	134	13.9	2,034	27.2
Capital expenditures	575		656		(12.3)	5		580	
Sales volumes (Thousand hectoliters)									
Domestic	5,514.3	89.5	5,324.9	92.2	3.6			5,514.3	67.2
Exports	644.9	10.5	453.4	7.8	42.2			644.9	7.9
Brazil						2,044.0	100.0	2,044.0	24.9
Total	6,159.1	100.0	5,778.3	100.0	6.6	2,044.0	100.0	8,203.1	100.0
Price per hectoliter									
Domestic	933.8		893.4		4.5				
Exports	964.5		1,096.2		(12.0)				
Brazil						472.6			
Total	937.0		909.3		3.0	472.6			

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FEMSA Comercio
Results of Operations
Expressed in Millions of Pesos

	For the first quarter of:				
	2006	% of sales	2005	% of sales	% Increase
Net sales	7,523	100.0	6,344	100.0	18.6
Other revenues					
Total revenues	7,523	100.0	6,344	100.0	18.6
Cost of sales	5,574	74.1	4,724	74.5	18.0
Gross profit	1,949	25.9	1,620	25.5	20.3
Administrative expenses	157	2.1	133	2.1	18.0
Sales expenses	1,609	21.4	1,311	20.6	22.7
Operating expenses	1,766	23.5	1,444	22.7	22.3