MEXICAN ECONOMIC DEVELOPMENT INC
Form 6-K
February 19, 2008

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 February 2008

FOMENTO ECONÓMICO MEXICANO, S.A.B. 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 20-F x Form 40-F o

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): o

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): o

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 o No x

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

FEMSA Delivers Double-Digit Growth in 4Q07
Full Year 2007 Revenues Reach US$13.5 billion

Monterrey, Mexico, February 19, 2008— Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") today announced its operational and financial results for the fourth quarter and full year 2007.

Fourth Quarter 2007 Highlights:

· **Consolidated total revenues increased 10.0% and income from operations increased 22.0%.** All operating units delivered double-digit growth in income from operations.

· **Coca-Cola FEMSA total revenues and income from operations increased 8.6% and 12.6%, respectively.**
Mexico income from operations increased in real terms for the second quarter in a row, combining with double-digit growth in Brazil to drive these results.

· **FEMSA Cerveza total revenues increased 7.5%.**
Sales volume grew a robust 6.0% in Mexico, 9.3% in Brazil and 19.3% in exports. Income from operations increased 43.9%. Strong top-line growth, combined with a decline in operating expenses, more than offset raw material pressure.

· **Oxxo continued its pace of double-digit growth and margin expansion,** driven by 326 net new stores in 4Q07 and 5% increase in same-store sales. Operating margin expanded by 130 basis points reaching 8.2%.

2007 Full Year Highlights:

· **Consolidated total revenues increased 8.4%.** All operating units contributed to this top-line growth.

· **Consolidated income from operations increased 6.0%,** driven by strong results at Coca-Cola FEMSA and Oxxo, which more than offset weakness at FEMSA Cerveza.

· **Consolidated net income increased 21.1% to Ps. 11.936 billion.**

· **Coca-Cola FEMSA total revenue and income from operations increased 8.1% and 11.7% respectively,** due to strong growth across its operations.

· **FEMSA Cerveza total revenues increased 4.3%.**
Income from operations decreased 11.7%, reflecting continued pressure on raw materials, lower average price per hectoliter and sustained investment in our brand portfolio.

· **Oxxo income from operations increased 39.1%,** resulting in an operating margin expansion of 100 basis points to 5.5%. This is Oxxo's 6th consecutive year of delivering income from operations growth above 20% in real terms, driven by 716 net new stores in the last twelve months.

José Antonio Fernández, Chairman and CEO of FEMSA, commented "Our full-year 2007 results provide a compelling example of the strength of our unique continental integrated platform. While FEMSA Cerveza faced significant headwinds from high raw material costs and intensified competition in Mexico, particularly in the first half of the year, our operations in Brazil continued to grow according to plan and our export volumes again grew in the double digits, driven by continued strong performance in the United States. For its part, Coca-Cola FEMSA delivered a strong set of numbers aided by growing profitability in Mexico and in most of its Central and South American markets. And Oxxo continued to grow at a rapid pace in every aspect of the business, recording its strongest year ever. All told, FEMSA delivered operating income growth of six percent in real terms for the year, a good outcome given the challenging environment. Just as importantly, the fourth quarter evidenced strong momentum at all of our operations, and we enter this new year with optimism that we will be able to successfully navigate what may turn out to be another challenging year, while we continue to build the unique system that is FEMSA".

FEMSA Consolidated

Total revenues increased 10.0% to Ps. 38.808 billion in 4Q07 compared to 4Q06. This increase was primarily driven by total revenue growth of 15.6% at Oxxo, 8.6% at Coca-Cola FEMSA and 7.5% at FEMSA Cerveza, in each case as compared to 4Q06. For full year 2007, consolidated total revenues increased 8.4% compared to 2006 to Ps. 147.556 billion driven by growth in all of FEMSA's operations.

Gross profit increased 11.0% to Ps. 18.207 billion in 4Q07, in spite of raw material cost pressures in the beverage businesses. Gross margin improvements at Oxxo and Coca-Cola FEMSA more than offset a decline at FEMSA Cerveza, resulting in a 40 basis point gross margin expansion over the same period in 2006 to 46.9% in 4Q07.

For full year 2007, gross profit increased 8.0% over 2006 to Ps. 67.755 billion. Gross margin improvements at Oxxo and Coca-Cola FEMSA partially offset raw material pressure at FEMSA Cerveza, resulting in a 20 basis point decline as compared to 2006, to 45.9% of total revenues.

Income from operations increased 22.0% to Ps. 5.797 billion in 4Q07 as compared to the same period in 2006, and operating margin expanded by 140 basis points to 14.9%, led by double-digit growth at FEMSA Cerveza, Oxxo and Coca-Cola FEMSA.

For full year 2007, income from operations increased 6.0% over 2006 to Ps. 19.569 billion. Our consolidated operating margin decreased 30 basis points compared to 2006 levels, reaching 13.3% of total revenues mainly reflecting pressure on the gross margin.

Net income increased 45.1% over 4Q06 to Ps. 3.612 billion in 4Q07, mainly as a result of the growth in income from operations and a shift from a loss in foreign exchange in 4Q06 to a gain in 4Q07. The effective tax rate was 31.5% in 4Q07, and 29.3% for the full year.

For full year 2007, net income increased 21.1% to Ps. 11.936 billion mainly driven by income from operations growth and a shift from a loss in foreign exchange in 2006 to a gain in 2007.

Net majority income increased 57.5% over 4Q06 resulting in Ps. 0.74 per FEMSA Unit[1] in 4Q07. Net majority income per FEMSA ADS, was US$ 0.68 for the quarter. For full year 2007, net majority income per FEMSA Unit[1] was Ps. 2.38 (US$2.18 per ADS).

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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 December 31, 2007 was 3,578,226,270 equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

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Capital expenditures increased 13.0% over 4Q06 to Ps. 3.915 billion in 4Q07, mainly reflecting increased investment in the beverage business units related to incremental capacity and distribution, as well as market-related investments. For full year 2007, capital expenditures increased 19.5% over 2006 to Ps. 11.257 billion.

Consolidated net debt: As of December 31, 2007, FEMSA recorded a cash balance of Ps. 10.456 billion (US$ 958 million), an increase of Ps. 1.690 billion (US$ 155 million). Short-term debt was Ps. 9.365 billion (US$ 858 million) and long-term debt was Ps. 30.665 billion (US$ 2.809 billion). In spite of the issuance of new bonds in the Mexican market used to refinance existing debt, and the investment in Jugos del Valle, our net debt declined Ps. 4.079 billion (US$ 374 million) to Ps. 29.574 billion (US$ 2.709 billion), mainly driven by our strong internal cash generation and, to a lesser extent, by the amortization of bank debt.

Soft Drinks - Coca-Cola FEMSA

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

Beer - FEMSA Cerveza

The results of FEMSA Cerveza provided here now fully consolidate the results of our subsidiary Cervejarias Kaiser (in Brazil), which we acquired in January of 2006. Beginning with our 1Q07 results, all comparisons to prior periods fully reflect the Kaiser acquisition.

Mexico sales volume increased 6.0% over 4Q06 to 7.169 million hectoliters in 4Q07, despite strong comparable growth figures from the fourth quarter of 2006. This increase reflects healthy consumer demand during the quarter, aided by selective promotional activity especially during the holiday season, and favorable weather conditions. Growth was driven by our *Tecate, Sol* and *Indio* brand families throughout the country. For full year 2007, Mexico sales volume increased 3.9% to 26.962 million hectoliters, despite strong comparable growth figures in 2006 and adverse weather conditions mainly in the first and third quarters of 2007.

Brazil sales volume increased 9.3% over 4Q06 to 3.259 million hectoliters in 4Q07. This growth reflects positive trends for our brand portfolio that continues to develop according to our plan for the region. For full year 2007, Brazil sales volume increased 9.6% over 2006 to 9.795 million hectoliters, outpacing the growth of the Brazilian beer industry.

Export sales volume increased 19.3% over 4Q06 to 670 thousand hectoliters in 4Q07 mainly driven by increased demand for our *Dos Equis* and *Tecate* brands in the U.S. and for our *Sol* brand in other key markets. For full year 2007, export sales volumes achieved robust double-digit growth of 13.2% over 2006 to reach 3.183 million hectoliters.

Total revenues increased 7.5% over 4Q06 to Ps. 10.578 billion in 4Q07; solid volume growth and a real increase in average price per hectoliter drove these results.

Mexico price per hectoliter increased 1.0% over 4Q06 in real terms to Ps. 996.9 in 4Q07, resulting mainly from the positive pricing effect of incremental domestic volume brought under direct distribution as well as from more moderate promotional activity towards year-end. Conversely, Brazil price per hectoliter decreased 0.6% over 4Q06 in real terms to Ps. 593.1 in 4Q07, due to increased promotional activities ahead of the Brazilian summer. Export price per hectoliter increased 3.9% over 4Q06 to Ps. 1,072.7 in 4Q07.

For full year 2007, total revenues increased 4.3% over 2006 to Ps. 39.566 billion, driven by higher volumes that more than offset the decline in lower third-party packaging revenues and a slight decline in average price per hectoliter in real terms. Brazil beer revenues represented 14.9% of total revenues, up from 14.2% over full year 2006. Export beer revenues reached 8.4% of total revenues, up from 7.9% in 2006.

Cost of sales increased 8.4% over 4Q06 to Ps. 4.793 billion in 4Q07. This increase was mainly driven by total volume growth of 7.7% over 4Q06 and by the higher cost of raw materials, particularly grains and glass bottles. These were partially offset by the appreciation of the Brazilian Real as applied to our dollar-denominated costs, as well as by operating efficiencies. Gross profit increased 6.7% over 4Q06 to Ps. 5.785 billion in 4Q07, resulting in a gross margin of 54.7%, a decline of 40 basis points as compared to the same period of 2006.

For full year 2007, cost of sales increased 8.5% to Ps. 17.889 billion mainly driven by 5.9% total volume growth, higher raw material prices, particularly aluminum and grains, and incremental volumes coming from non-returnable presentations. Gross margin decreased by 170 basis points from 56.5% in 2006 to 54.8% in 2007.

Income from operations increased 43.9% over 4Q06 to Ps. 1.586 billion in 4Q07, a 380 basis point increase in operating margin to 15.0%. This increase was driven by strong top-line growth combined with a decline of 2.8% in operating expenses, driven by a reduction in one-time marketing expenses in Brazil attributable to the introduction of *Sol* in 2006, as well as by cost containment initiatives implemented.

For full year 2007, income from operations decreased 11.7% over 2006 to Ps. 5.404 billion, representing 13.7% of total revenues. Operating expenses increased 6.3% over 2006 to Ps. 16.273 billion, due to continued investment in channel development and brand-building activities for *Sol* and *Tecate* in Mexico as well as for *Dos Equis* and *Tecate* in the U.S, and stepped-up marketing activities in Brazil in connection with our *Sol* and *Kaiser* brands.

Oxxo Stores - FEMSA Comercio

Total revenues increased 15.6% over 4Q06 to Ps. 10.982 billion in 4Q07, primarily as a result of the opening of 326 net new Oxxo stores in the quarter, representing a total increase of 716 net new Oxxo stores during 2007. As of December 31, 2007, there were a total of 5,563 Oxxos in Mexico. For full year 2007, total revenues increased 14.3% over 2006 to Ps. 42.103 billion.

Same-store sales increased an average of 5.0% for the quarter over 4Q06, reflecting an 8.6% increase in store traffic, driven by a broadening product and service assortment offsetting a decrease of 3.3% in the average customer ticket. Traffic and ticket dynamics reflect the introduction of electronic air-time sales for customers of wireless telephone carriers, launched in recent months across the country, which drive incremental traffic to the store and for which only the margin is recorded, not the full amount of the air-time recharge.

For full year 2007 Oxxo same-store sales grew 3.3% over 2006, driven by a 4.4% increase in store traffic, which more than offset a 1.1% reduction in average ticket.

Gross profit increased by 20.0% in 4Q07 compared to 4Q06, a 110 basis point gross margin expansion to reach 30.3% of total revenues. This improvement was driven by better pricing strategies, improved commercial terms with our supplier partners, as well as by growth coming from higher-margin categories such as coffee and alternative beverages. For full year 2007, Oxxo gross margin expanded by 90 basis points over 2006 to 28.0%.

Income from operations increased 37.2% over 4Q06 to Ps. 896 million in 4Q07 due to operating leverage achieved from strong top-line growth. Operating expenses increased 14.7% over 4Q06 to Ps. 2.437 billion. Administrative expenses decreased 1.5% over 4Q06 to Ps. 196 million, as our initial capitalized investments in the Oracle ERP system have been fully amortized and broad expense-containment initiatives continue to bear fruit. Selling expenses as a percentage of total revenues remained stable at 20.3% in 4Q07. Oxxo's operating margin expanded 130 basis points over 4Q06 reaching its all-time high of 8.2% for any quarter, driven by gross margin expansion and by better fixed-expense absorption resulting from higher revenues.

For full year 2007, income from operations increased 39.1% over 2006 to Ps. 2.315 billion, resulting in an operating margin expansion of 100 basis points to 5.5% for the year.

Recent Developments

FEMSA successfully issued certificados bursátiles in the Mexican capital market.
In December 2007, we issued Ps. 3,500 million in 6-year *certificados bursátiles* at a rate of 28-day TIIE ("Tasa de Interés Interbancaria de Equilibrio - Equilibrium Interbank Interest Rate") minus 0.05%, and Ps. 2,500 million in 10-year UDI bonds at a rate of Udibono plus 0.56%, which was swapped to TIIE under favorable conditions. The tranches were 4.5 and 2 times oversubscribed, respectively, in spite of challenging market conditions. The proceeds from this issuance were used entirely to refinance existing loans, improving FEMSA's cost of debt and significantly extending its maturity profile.

CONFERENCE CALL INFORMATION:
Our Fourth Quarter and Full Year 2007 Conference Call will be held on: Tuesday February 19, 2008, 1:00 PM Eastern Time (12:00 PM Mexico City Time). To participate in the conference call, please dial: Domestic US: 1-888-259-8552, International: 1-913-312-1403. The conference call will be webcast live through streaming audio. For details please visit www.femsa.com/investor.

If you are unable to participate live, the conference call replay will be available through March 3, 2008; dialing Domestic US: (1 888) 203-1112 / International: (719) 457-0820 using passcode: 9468059. Additionally, the conference call audio will be available on http://ir.femsa.com/results.cfm

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.B. 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 flavored alcoholic beverages; 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 “Normas de Información Financiera” (Mexican Financial Reporting Standards or “Mexican FRS”, and have been restated in constant Mexican pesos (“Pesos” or “Ps.”) with purchasing power as of December 31, 2007. 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 noon day buying rate for pesos as published by the Federal Reserve Bank of New York at December 31, 2007, which was 10.9169 Mexican pesos per US dollar.

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

FEMSA
Consolidated Income Statement
Expressed in Millions of Pesos as of December 31, 2007

	For the fourth quarter of:					For the twelve months of:				
	2007	% of rev.	2006	% of rev.	% Increase	2007	% of rev.	2006	% of rev.	% Increase
Total revenues	**38,808**	100.0	**35,295**	100.0	10.0	**147,556**	100.0	**136,120**	100.0	8.4
Cost of sales	**20,601**	53.1	**18,892**	53.5	9.0	**79,801**	54.1	**73,366**	53.9	8.8
Gross profit	**18,207**	46.9	**16,403**	46.5	11.0	**67,755**	45.9	**62,754**	46.1	8.0
Administrative expenses	**2,313**	6.0	**2,383**	6.8	(2.9)	**9,191**	6.2	**8,973**	6.6	2.4
Selling expenses	**10,097**	26.0	**9,267**	26.2	9.0	**38,995**	26.4	**35,314**	25.9	10.4
Operating expenses	**12,410**	32.0	**11,650**	33.0	6.5	**48,186**	32.6	**44,287**	32.5	8.8
Income from operations	**5,797**	14.9	**4,753**	13.5	22.0	**19,569**	13.3	**18,467**	13.6	6.0
Other expenses	**(543)**		**(540)**		0.6	**(1,297)**		**(1,650)**		(21.4)
Interest expense	**(1,109)**		**(1,017)**		9.0	**(4,554)**		**(4,299)**		5.9
Interest income	**194**		**170**		14.1	**769**		**792**		(2.9)
Interest expense, net	**(915)**		**(847)**		8.0	**(3,785)**		**(3,507)**		7.9
Foreign exchange (loss) gain	**209**		**(90)**		N.S.	**691**		**(217)**		N.S.
Gain on monetary position	**655**		**685**		(4.4)	**1,639**		**1,488**		10.1
Unhedged derivative instrument loss	**70**		**(70)**		N.S.	**69**		**(113)**		N.S.
Integral result of financing	**19**		**(322)**		N.S.	**(1,386)**		**(2,349)**		(41.0)
Income before income tax	**5,273**		**3,891**		35.5	**16,886**		**14,468**		16.7
Income tax	**(1,661)**		**(1,402)**		18.5	**(4,950)**		**(4,608)**		7.4
Net income	**3,612**		**2,489**		45.1	**11,936**		**9,860**		21.1
Net majority income	**2,645**		**1,679**		57.5	**8,511**		**7,127**		19.4
Net minority income	**967**		**810**		19.4	**3,425**		**2,733**		25.3
EBITDA & CAPEX										
Income from operations	**5,797**	14.9	**4,753**	13.5	22.0	**19,569**	13.3	**18,467**	13.6	6.0
Depreciation	**1,104**	2.8	**986**	2.8	12.0	**4,359**	3	**4,333**	3.2	0.6
Amortization & other	**896**	2.4	**1,000**	2.8	(10.4)	**3,876**	2.5	**3,957**	2.9	(2.0)
EBITDA	**7,797**	20.1	**6,739**	19.1	15.7	**27,804**	18.8	**26,757**	19.7	3.9
CAPEX	**3,915**		**3,465**		13.0	**11,257**		**9,422**		19.5

FINANCIAL RATIOS	2007	2006	Var. p.p.
Liquidity(1)	**1.00**	**0.99**	0.01
Interest coverage(2)	**7.35**	**7.63**	(0.28)
Leverage(3)	**0.85**	**0.98**	(0.13)
Capitalization(4)	**33.27%**	**37.25%**	(3.98)

(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 December 31:
(Expressed in Millions of Pesos as of December 31, 2007)

ASSETS	**2007**	**2006**	**% Increase**
Cash and cash equivalents	**10,456**	**8,766**	19.3
Accounts receivable	**9,329**		