MEXICAN ECONOMIC DEVELOPMENT INC
Form 6-K
July 26, 2010

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 July 2010

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 ¨

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 x

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

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

By: /s/ Javier Astaburuaga
Javier Astaburuaga
Chief Financial Officer

Date: July 26, 2010

FEMSA Reports 2Q10 Continuing Operations Revenue Growth of 8.1%

Monterrey, Mexico, July 26, 2010 — Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") announced today its operational and financial results for the second quarter of 2010.

Second Quarter 2010 Highlights:

- FEMSA comparable consolidated total revenues and income from operations grew 8.1% and 5.9%, respectively, compared to the second quarter 2009, in spite of a still-challenging economic environment. Excluding one-time Heineken transaction related expenses, comparable consolidated income from operations would have grown 11.0%.

- Coca-Cola FEMSA total revenues and income from operations increased 4.1% and 11.2% respectively. Double-digit income from operations growth in Latincentro and Mercosur divisions drove these results.

- FEMSA Comercio achieved a new milestone by opening over 1,000 net new stores in the last twelve months. Consolidated total revenues and income from operations increased 16.4% and 15.8%.

- FEMSA closed its strategic transaction with Heineken during the second quarter of 2010. FEMSA's consolidated results presented herein reflect the corresponding effects.

José Antonio Fernández Carbajal, Chairman and CEO of FEMSA, commented: "While most macroeconomic data seems to indicate that the worst of the economic crisis has passed in Mexico, the consumer is only gradually reflecting a more bullish behavior, reflected in robust revenue trends at Coca-Cola FEMSA's Mexico division as well as at FEMSA Comercio, even against tough comparison bases from last year. The Mercosur division of Coca-Cola FEMSA continued to be the standout volume performer, combining dynamic economic trends with our operators' continued ability to pursue and capture opportunities. And so, halfway into the year our diversified platform and our team's strong execution again allowed us to deliver a solid set of operating results. As you know, during the second quarter we consummated our transaction with Heineken, and we are filled with enthusiasm as we embark on a new stage in the history of our Company."

FEMSA Consolidated

On April 30, 2010, FEMSA announced the closing of the strategic transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group (“the transaction”). For more information regarding this acquisition, please refer to the transaction filings available in www.femsa.com/investor. FEMSA’s consolidated results for the second quarter and for the first half of 2010 reflect the transaction effects and are presented on a comparable basis.

Comparable total revenues increased 8.1% compared to 2Q09 to Ps. 41.899 billion. FEMSA Comercio accounted for more than 70% of the incremental consolidated revenues, while Coca-Cola FEMSA provided the balance. For the first half of 2010, comparable consolidated total revenues increased 9.3% to Ps. 80.642 billion.

Comparable gross profit increased 7.1% compared to 2Q09 to Ps.17.541 billion in 2Q10. Gross margin decreased 40 basis points compared to the same period in 2009 to 41.9% of total revenues. Gross profit improvement at FEMSA Comercio partially compensated cost pressure at Coca-Cola FEMSA, where gross margin was impacted largely by year-over-year increases in sweetener costs.

For the first half of 2010, comparable gross profit increased 8.0% to Ps. 33.224 billion. Gross margin decreased 50 basis points compared to the same period in 2009 to 41.2% of total revenues. As was the case during the second quarter of 2010, FEMSA Comercio’s gross profit improvement partially offset raw-material-driven cost pressures at Coca-Cola FEMSA.

Comparable income from operations increased 5.9% to Ps. 5.331 billion in 2Q10 as compared to the same period in 2009. Consolidated operating margin decreased 30 basis points compared to 2Q09 to 12.7% of total revenues, driven by pressure on the gross margin as well as by one-time expenses related to the Heineken transaction.

For the first half of 2010, comparable income from operations increased 8.8% to Ps. 9.764 billion. Our consolidated operating margin year-to-date was 12.1% as a percentage of total revenues, a decrease of 10 basis points as compared to the same period of 2009, mainly due to raw material pressures at Coca-Cola FEMSA.

Net income from continuing operations increased 29.7% compared to 2Q09 to Ps. 3.795 billion in 2Q10, reflecting the fact that this line includes an estimate for two months of FEMSA’s 20% participation in Heineken’s first quarter 2010 net income. The figures also reflect growth in comparable income from operations as well as a decrease in other expenses, which offset a higher integral result of financing during the quarter. This increase in integral result of financing resulted mostly from a positive comparison base during the same period of 2009. The effective income tax rate on continuing operations was 24.5% in 2Q10 compared to 30.1% in 2Q09, as the inclusion of the participation in Heineken’s estimated first quarter 2010 net income is shown net of taxes.

For the first half of 2010, net income for continuing operations increased 43.2% to Ps. 6.423 billion compared to the same period of 2009, primarily as a result of the combination of (i) growth in income from operations (ii) a lower integral result of financing during the period and (iii) the inclusion of an estimate for two months of FEMSA’s 20% participation in Heineken’s first quarter 2010 net income.

Gain from transaction with Heineken amounted to Ps. 26.465 billion in 2Q10, reflecting the difference between the market value of Heineken shares (20% equity interest) at the closing of the transaction and the book value of FEMSA’s beer operations as of the same date, net of transaction tax.

Net income from FEMSA’s former beer operations amounted to Ps. 216 million in 2Q10, reflecting the net income of FEMSA’s beer operations for the month of April 2010. For the first half of 2010, net income from beer operations amounted to Ps. 706 million, reflecting the net income of FEMSA’s beer operations for the first four months of 2010.

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Net consolidated income amounted to Ps. 30.476 billion in 2Q10, reflecting the transaction-related effects as described above as well as the double-digit increase in FEMSA's net income from continuing operations. Net majority income for 2Q10 resulted in Ps. 8.16 per FEMSA Unit1. Net majority income per FEMSA ADS was US$ 6.36 for the quarter. For the first half of 2010, net majority income per FEMSA Unit1 was Ps. 8.73 (US$ 6.80 per ADS).

Capital expenditures increased to Ps. 2.661 billion in 2Q10, driven by higher manufacturing investments at Coca-Cola FEMSA and the incremental investments in FEMSA Comercio related to store expansion.

Our consolidated balance sheet as of June 30, 2010, recorded a cash balance of Ps. 22.828 billion (US$ 1.779 billion), an increase of Ps. 5.693 billion (US$ 443.7 million) compared to the same period in 2009. Short-term debt was Ps. 2.798 billion (US$ 218.1 million), while long-term debt was Ps. 20.522 billion (US$ 1.599 billion). Our net debt balance was Ps. 492 million (US$ 38.4 million).

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 or visit www.coca-colafemsa.com.

FEMSA Comercio

Total revenues increased 16.4% compared to 2Q09 to Ps. 15.774 billion in 2Q10 mainly driven by the opening of 339 net new stores in the quarter, reaching a new milestone of 1,020 total net new store openings in the last twelve months. As of June 30, 2010, FEMSA Comercio had a total of 7,831 convenience stores in Mexico, slightly ahead of schedule relative to the objective for the year. Same-store sales increased an average of 5.2% for the quarter over 2Q09, driven by a 5.6% increase in store traffic which offset the 0.4% decrease in the average customer ticket. During the quarter, the same-store sales, ticket and traffic dynamics continued to reflect a small effect from the mix shift from physical prepaid wireless air-time cards to the sale of electronic air-time, for which only the margin is recorded, not the full amount of the electronic recharge. On a comparable basis excluding this change, the average ticket would have grown slightly in 2Q10.

For the first half of 2010, total revenues increased 15.4% to Ps. 29.259 billion. FEMSA Comercio´s same-store sales increased an average of 4.2%, driven by a 4.1% increase in store traffic, which still reflects a small effect from the mix shift from physical prepaid wireless air-time cards to the sale of electronic air-time, as described above.

Gross profit increased by 20.9% in 2Q10 compared to 2Q09, resulting in a 120 basis point gross margin expansion to reach 33.1% of total revenues. This increase reflects a positive mix shift due to the growth of higher margin categories, a more effective collaboration and execution with our key supplier partners combined with a more efficient use of promotion-related marketing resources, and to a lesser extent, the continued mix shift towards electronic air-time recharges as described above. For the first half of 2010, gross margin expanded by 100 basis points to 32.1% of total revenues.

Income from operations increased 15.8% over 2Q09 to Ps. 1.260 billion in 2Q10. Operating expenses increased 22.7% to Ps. 3.966 billion, largely driven by the growing number of stores as well as by incremental expenses such as (i) higher utility tariffs at the store level, (ii) the strengthening of FEMSA Comercio's organizational structure, particularly IT-related, which was deferred last year in response to the challenging economic environment that prevailed in Mexico, (iii) increased marketing to drive the momentum of certain emerging categories, particularly Daily and Replenishment, and (iv) one-time expenses related to the Mexicali earthquake in April. As a result, operating margin remained stable from 2Q09 at 8.0% of total revenues. For the first half of 2010, income from operations increased 19.8% to Ps. 1.879 billion, resulting in an operating margin of 6.4%, a 20 basis point expansion from the prior year.

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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 June 30, 2010 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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Recent Developments

On April 30, 2010, FEMSA announced the closing of the strategic transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group.

CONFERENCE CALL INFORMATION:

Our Second Quarter Conference Call will be held on: Monday July 26, 2010, 5:00 PM Eastern Time (4:00 PM Mexico City Time). To participate in the conference call, please dial: Domestic US: (877) 573-3228 International: (706) 679-0077, Conference Id 88049855. 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 audio will be available on http://ir.FEMSA.com/results.cfm.

FEMSA is a leading consumer company in Latin America. It controls Coca-Cola FEMSA, the largest Coca-Cola bottler in the region, and FEMSA Comercio, the largest and fastest growing convenience store operator in Mexico by number of stores, with over 7,800 outlets. FEMSA is also a significant investor in Heineken, a leading global brewer.

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 June 30, 2010, which was 12.8306 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.

Five pages of tables and Coca-Cola FEMSA’s press release to follow.

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FEMSA
Consolidated Income Statement
Millions of Pesos
For the second quarter of:

	For the second quarter of:					For the six months of:				
	2010(A)	% of rev.	2009(A)	% of rev.	% Increase	2010(A)	% of rev.	2009(A)	% of rev.	% Increase
Total revenues	41,899	100.0	38,747	100.0	8.1	80,642	100.0	73,773	100.0	9.3
Cost of sales	24,358	58.1	22,367	57.7	8.9	47,418	58.8	43,002	58.3	10.3
Gross profit	17,541	41.9	16,380	42.3	7.1	33,224	41.2	30,771	41.7	8.0
Administrative expenses	1,976	4.7	1,924	5.0	2.7	3,687	4.6	3,539	4.8	4.2
Selling expenses	10,234	24.4	9,420	24.3	8.6	19,773	24.5	18,260	24.7	8.3
Operating expenses	12,210	29.1	11,344	29.3	7.6	23,460	29.1	21,799	29.5	7.6
Income from operations	5,331	12.7	5,036	13.0	5.9	9,764	12.1	8,972	12.2	8.8
Other expenses	(320)		(474)		(32.5)	(518)		(838)		(38.2)
Interest expense	(729)		(997)		(26.9)	(1,477)		(2,185)		(32.4)
Interest income	228		291		(21.6)	530		583		(9.1)
Interest expense, net	(501)		(706)		(29.0)	(947)		(1,602)		(40.9)
Foreign exchange (loss) gain	(61)		14		N.S.	(356)		(348)		2.3
(Loss) gain on monetary position	101		110		(8.2)	256		193		32.6
Gain (loss) on financial instrument(1)	(33)		205		N.S.	102		115		(11.3)
Integral result of financing	(494)		(377)		31.0	(945)		(1,642)		(42.4)
Participation in Heineken results(2)	508		-		N.S.	508		-		N.S.
Income before income tax	5,025		4,185		20.1	8,809		6,492		