MEXICAN ECONOMIC DEVELOPMENT INC
Form F-3
July 30, 2004
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As filed with the Securities and Exchange Commission on July 30, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-3

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

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 **(State or other jurisdiction of incorporation or organization)**	**Not Applicable** **(I.R.S. Employer Identification No.)**

General Anaya No. 601 Pte. **Colonia Bella Vista** **Monterrey, NL 64410 Mexico** **(52-81) 8328-6000** **(Address and telephone number of** **Registrant s principal executive offices)**	**Puglisi & Associates** **850 Library Avenue, Suite 204** **Newark, DE 19711, U.S.A.** **(302) 738-6680** **(Name, address and telephone number of agent for service)**

Copies to:

Jaime A. El Koury, Esq. **Cleary, Gottlieb, Steen & Hamilton** **One Liberty Plaza** **New York, New York 10006** **(212) 225-2000**	**Glenn M. Reiter, Esq.** **Simpson Thacher & Bartlett LLP** **425 Lexington Avenue** **New York, New York 10017** **(212) 455-2000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ¨

CALCULATION OF REGISTRATION FEE

Title of the class of securities to be registered (1)	**Proposed maximum aggregate offering price (2)**	**Amount of registration fee**
BD Units (without par value, which may be evidenced by American Depositary Shares) (3)	$ 345,000,000	$ 43,712

(1) Includes (i) all BD Units represented by American Depositary Shares initially offered and sold in the international offering (described in this registration statement), (ii) all BD Units initially offered and sold in the share allocation program in the concurrent Mexican BD Unit offering (described in this registration statement) to beneficial owners of BD Units as of the record date who are U.S. persons or otherwise inside the United States, (iii) all other BD Units initially offered and sold in the concurrent Mexican BD Unit offering, but which may be resold from time to time in the United States in transactions requiring registration under the Securities Act of 1933 and (iv) all BD Units represented by American Depositary Shares or initially offered and sold in the share allocation program in the concurrent Mexican BD Unit offering to U.S. persons or persons otherwise inside the United States (referred to in (ii) above) which the underwriters may purchase solely to cover over-allotments, if any. Offers and sales of BD Units in the concurrent Mexican BD Unit offering are not covered by this registration statement, except in the circumstances referred to in (ii), (iii) and (iv) above.

(2) Estimated solely for the purpose of calculating the registration fee, which is calculated in accordance with Rule 457(o) of the rules and regulations under the Securities Act of 1933. Rule 457(o) permits the registration fee to be calculated on the basis of the maximum aggregate offering price.

(3) American Depositary Shares evidenced by American Depositary Receipts issuable on deposit of the BD Units registered hereby have previously been registered under a separate registration statement on Form F-6 (File No. 333-112342). Each American Depositary Share represents 10 BD Units.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the

Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is incomplete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer is not permitted.

PRELIMINARY PROSPECTUS

Subject to Completion, Dated July 30, 2004

BD Units

(including BD Units in the form of American Depositary Shares)

Fomento Económico Mexicano, S.A. de C.V. is conducting a global offering. The global offering consists of an international offering outside Mexico of American Depositary Shares, or ADSs, each representing 10 of our BD Units, and a concurrent offering of BD Units in Mexico. Each BD Unit represents one of our Series B Shares, two of our Series D-B Shares and two of our Series D-L Shares.

Concurrently with the global offering, B Units are being offered in a Mexican offering. Each B Unit represents five of our Series B Shares. The B Units will be sold at the equivalent of the public offering price per BD Unit in the Mexican BD Unit offering. A voting trust that owns a substantial majority of our B Units is expected to acquire substantially all of the B Units in the Mexican B Unit offering.

Beneficial owners of outstanding ADSs as of , 2004, which is the record date, will be eligible, subject to compliance with the procedures and conditions summarized in this prospectus, to purchase up to ADSs for each ADS beneficially owned by them as of the record date through a share allocation program in the international offering. Beneficial owners of outstanding BD Units not in the form of ADSs will also be eligible, subject to compliance with the applicable procedures and conditions, to purchase BD Units through a share allocation program in the concurrent Mexican BD Unit offering. The aggregate number of ADSs and BD Units initially available under the share allocation programs will represent 50% of the BD Units, including BD Units in the form of ADSs, to be sold in the global offering.

The ADSs are listed on the New York Stock Exchange under the symbol FMX, and the BD Units are listed on the Mexican Stock Exchange under the symbol FEMSA UBD. On July 29, 2004, the last reported sale price of the ADSs on the New York Stock Exchange was US$ 43.35 per ADS, and the last reported sale price of the BD Units on the Mexican Stock Exchange was Ps. 49.32 per unit, equivalent to a price of US$ 4.31 per ADS, assuming an exchange rate of Ps. 11.439 per U.S. dollar.

Investing in the ADSs and BD Units involves risk. See Risk Factors beginning on page 14.

PRICE US$ AN AMERICAN DEPOSITARY SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to FEMSA
Per ADS	US$	US$	US$
Total	US$	US$	US$

We have granted options, exercisable for 30 days, to the underwriters of the global offering to purchase up to additional BD Units in the form of ADSs or BD Units to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about , 2004.

Joint Bookrunning Managers

Citigroup **Morgan Stanley**

, 2004

You should rely only on the information incorporated by reference or contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The ADSs are being sold only in jurisdictions where sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of ADSs.

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This prospectus relates to the offer and sale of ADSs in the international offering and the offer and sale of BD Units in the share allocation program in the concurrent Mexican BD Unit offering to beneficial owners of BD Units as of the record date who are U.S. persons or otherwise inside the United States. In addition, this prospectus relates to BD Units that are being offered in the concurrent Mexican BD Unit offering, but that may be resold from time to time in the United States in transactions requiring registration under the Securities Act of 1933.

The BD Units underlying the ADSs being sold pursuant to this prospectus will be registered in the Securities Section (*Sección de Valores*) and the Special Section (*Sección Especial*) of the National Registry of Securities (*Registro Nacional de Valores*), or Registry, maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), or the CNBV. Registration of the BD Units with the Registry does not imply any certification as to the investment quality of the BD Units, our solvency

or the accuracy or completeness of the information contained or incorporated by reference in this prospectus.

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INCORPORATION BY REFERENCE

The Securities and Exchange Commission, or SEC, allows us to incorporate by reference information in this prospectus, which means that we can disclose important information by referring you to another document that we have filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, and certain later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

our annual report on Form 20-F for the fiscal year ended December 31, 2003, filed with the SEC on April 8, 2004;

the consolidated balance sheet of Corporación Interamericana de Bebidas, S.A. de C.V., formerly known as Panamerican Beverages, Inc., or Panamco, and subsidiaries, as of December 31, 2002 and 2001 and the related consolidated statements of operations, of shareholders equity and comprehensive income (loss) and of cash flows for each of the three years in the period ended December 31, 2002 included in its annual report on Form 10-K for the fiscal year ended December 31, 2002, filed with the SEC on March 28, 2003;

the condensed consolidated financial statements of Panamco included in its filing on Form 10-Q for the fiscal quarter ended March 31, 2003, filed with the SEC on May 6, 2003; and

any future filings on Form 6-K made by us with the SEC under the Securities Exchange Act of 1934, as amended, after the date of this prospectus and prior to the termination of the offering of ADSs that are identified in such forms as being incorporated into this prospectus.

You may request a copy of any and all of the information that has been incorporated by reference in this prospectus and that has not been delivered with this prospectus, at no cost, by writing to us at General Anaya No. 601 Pte., Colonia Bella Vista, Monterrey, Nuevo León 64410, Mexico, Attention: Investor Relations. Our telephone number at this location is (52-81) 8328-6000.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated balance sheets as of December 31, 2003 and 2002 and the related consolidated statements of income, changes in stockholders equity and changes in financial position for the years ended December 31, 2003, 2002 and 2001 are included in our annual report on Form 20-F for the year ended December 31, 2003, which is incorporated by reference in this prospectus. Our unaudited consolidated balance sheet as of March 31, 2004 and the related consolidated statement of income, changes in stockholders equity and changes in financial position for the three months ended March 31, 2004 and 2003 are included in this prospectus.

We publish our financial statements in Mexican pesos and prepare our financial statements in accordance with generally accepted accounting principles in Mexico, or Mexican GAAP. Mexican GAAP differs in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Notes 25 and 26 to our audited consolidated financial statements as of and for the year ended December 31, 2003 and Notes 25 and 26 to our unaudited consolidated financial statements as of and for the three months ended March 31, 2004 provide a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to our company, and a reconciliation to U.S. GAAP of majority net income and majority stockholders equity.

Unless otherwise specified, we have presented financial data for all full-year periods included in our consolidated financial statements in constant Mexican pesos at December 31, 2003. We have presented financial data as of March 31, 2004 and for the three-month periods ended March 31, 2004 and March 31, 2003 in constant Mexican pesos at March 31, 2004. We believe that the effect of not restating the financial data for the full-year periods included in our consolidated financial statements in constant Mexican pesos at March 31, 2004 is not material, as the Mexican Consumer Price Index was 1.57% for the three-month period ended March 31, 2004.

This prospectus contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, these U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 11.174 to US$ 1.00, the exchange rate quoted by dealers to FEMSA for the settlement of obligations in foreign currencies on March 31, 2004. On March 31, 2004, the noon buying rate for Mexican pesos as published by the Federal Reserve Bank of New York was Ps. 11.1830 to US$ 1.00. On July 29, 2004, the noon buying rate was Ps. 11.439 to US$ 1.00.

Our subsidiary Coca-Cola FEMSA, S.A. de C.V., or Coca-Cola FEMSA, acquired Panamco on May 6, 2003. Unless otherwise indicated, our consolidated financial statements included or incorporated by reference in this prospectus include Panamco only from May 2003. As a result, our consolidated financial statements as of and for the year ended December 31, 2003 and as of and for the three months ended March 31, 2004 are not comparable to prior periods. These financial statements may also not be comparable to subsequent periods, as Panamco is only included in our consolidated financial statements for eight months in 2003. We have, however, included in this prospectus an unaudited pro forma consolidated income statement that gives effect to the acquisition of Panamco as if it had occurred on January 1, 2003. The unaudited pro forma financial information does not purport to indicate the results of operations that would actually have occurred had the transaction occurred on the dates indicated or which may be expected to be achieved in the future. The financial statements of Panamco incorporated by reference in this prospectus are prepared in accordance with U.S. GAAP and in U.S. dollars, and as such, are not comparable to our financial statements, which are presented in accordance with Mexican GAAP and in Mexican pesos.

The terms FEMSA, our company, we, us and our are used in this prospectus to refer to Fomento Económico Mexicano, S.A. de C.V., and, except where the context otherwise requires, its subsidiaries on a consolidated basis. We refer to our subsidiary FEMSA Cerveza, S.A. de C.V. as FEMSA Cerveza, our subsidiary FEMSA Comercio, S.A. de C.V. as FEMSA Comercio, and our subsidiary FEMSA Empaques, S.A. de C.V., as FEMSA Empaques. References herein to U.S. dollars, US$ or $ are to the lawful currency of the United States. References herein to Mexican pesos, Pesos or Ps. are to the lawful currency of the United Mexican States or Mexico.

SUMMARY

This summary highlights selected information from this prospectus and the documents incorporated by reference and does not contain all of the information that may be important to you. You should read carefully this entire prospectus and the documents incorporated by reference.

FEMSA

Our Company

We are the largest integrated beverage company in Latin America, based on total sales in 2003, and we have a portfolio of leading beer and soft drink brands. We are the second largest brewer in Mexico, based on sales volume in 2003, with brands that include *Tecate*, *Dos Equis* and *Sol*. Through our subsidiary, Coca-Cola FEMSA, we are the largest Coca-Cola bottler in Latin America and the second largest in the world, based on sales volumes in 2003. We sell our products through approximately two million points of sale, which serve a population of over 170 million people in nine countries, including some of the most populous metropolitan areas in Latin America, such as Mexico City, São Paulo and Buenos Aires. Our manufacturing and distribution capabilities are enhanced by our retail and packaging operations. We operate Oxxo, the largest convenience store chain in Mexico, with 2,798 stores at December 31, 2003. Our integrated business operations enable us to operate more efficiently and effectively and provide us with a platform for growth in Latin America.

The following chart provides an overview of our operations by segment:

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(1) Expressed in millions of Mexican pesos, except for percentages. The sum of the financial data for each of our segments differs from our consolidated financial information due to intercompany transactions, which are eliminated in consolidation, and certain assets and activities of FEMSA which are not included in these four segments, including corporate services.

(2) Percentage of capital stock, equal to 53.6% of capital stock with full voting rights.

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Summary of Operations

Coca-Cola FEMSA s single most important brand is *Coca-Cola*, which accounted for 60.2% of its total consolidated sales volume in 2003. *Fanta*, *Sprite*, *Lift* and *Fresca* are its next largest brands and collectively accounted for 12.7% of such sales volume in 2003. Coca-Cola FEMSA s territories represented approximately 40% of *Coca-Cola* sales volume in Latin America in 2003. Coca-Cola FEMSA s Mexican territories cover central Mexico, including Mexico City, and southeast Mexico. In 2003, 66.7% of Coca-Cola FEMSA s total revenue and 84.0% of its income from operations were generated in Mexico, which is characterized by high levels of per capita consumption of soft drinks. In addition to Mexico, Coca-Cola FEMSA operates in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina.

Through our subsidiary FEMSA Cerveza, we produce and distribute 15 brands of beer in a variety of bottle and can presentations. The most important brands in our beer portfolio include *Tecate*, *Carta Blanca*, *Sol* and *Superior*, which together accounted for approximately 88% of our domestic beer sales volume in 2003. In 2003, we sold 91.9% of our total beer sales volume in the Mexican market, which is the eighth largest beer market in the world based on sales volume in 2003. We have a dominant sales position in the northern and southern regions of Mexico, which have higher per capita consumption rates than central Mexico. We export our beer brands to more than 70 countries worldwide, with the United States being our most important export market. Our export sales represented 8.1% of our total beer sales volume in 2003. Our principal export brands are *Tecate*, *XX Lager*, *Dos Equis (Amber)* and *Sol*.

Through FEMSA Comercio, we operated 2,798 Oxxo stores throughout Mexico at December 31, 2003. We have tripled the number of our Oxxo stores over the five years ended December 31, 2003 and expect to continue to increase the number of stores. Our total store sales increased at a compounded annual rate of 22% over the five years ended December 31, 2003. Oxxo stores exclusively sell our beer brands and are an integral part of our beer distribution strategy. Oxxo represented 5.4% of FEMSA Cerveza s domestic sales volume in 2003. Soft drinks, telephone cards and cigarettes are the other main products sold at Oxxo stores.

In order to support our beverage operations, we manufacture and distribute a wide variety of packaging products, primarily in Mexico. Our principal packaging products are aluminum beverage cans, crown caps and glass bottles. The majority of our packaging products are sold to Coca-Cola FEMSA and FEMSA Cerveza.

Competitive Strengths

We believe our integrated value chain creates a platform for growth in Latin America with the following competitive strengths:

Leading Market Position. We are among the largest beverage companies in our territories, which have a total population of approximately 170 million people in nine countries. Our markets include some of the most populous metropolitan areas in Latin America, such as Mexico City, São Paulo and Buenos Aires. Latin America s favorable demographics present us with a growing number of potential new consumers for our products. We believe that our size will allow us to realize economies of scale and take advantage of these profitable growth opportunities in our markets.

Broad Portfolio of Leading Brands. Our beverage products include 46 soft drink brands and 15 beer brands, which constitute a broad portfolio of brands designed to appeal to a wide range of consumers. *Coca-Cola* is one of the most widely recognized brands in the world and is particularly strong in the metropolitan areas of Latin America where we operate. Our beer brands include those that have been historically dominant in particular regions of Mexico, and we believe that our *Sol* brand is the fastest growing brand of beer in the Mexican market in terms of sales volume for the three years ended December 31, 2003. We believe we have the ability to introduce new brands and new presentations to target particular consumer preferences and growth opportunities in each of our territories.

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Well-Developed Distribution Network. We sell our beverage products in approximately two million points of sale throughout Latin America, most of which are visited by us several times per week. We have implemented commercial practices to enable us to have additional influence over the distribution of our products and bring us closer to retailers and consumers. We have also developed long-term relationships with smaller predominately mom and pop style retailers in Mexico, who are the main sellers of our products. In recent years, our Oxxo stores, which exclusively sell our beer brands, have gained importance as an effective distribution channel for our beverage products, as well as a rapidly growing point of direct contact with our consumers.

Expanding Presence in U.S. Beer Market. Sales of Mexican beers generally in the United States continue to grow significantly faster than U.S. domestic brands. Our *Tecate* brand currently is the fourth largest import brand in the United States based on sales volume in 2003. We have recently entered into a distribution agreement with Heineken USA, Inc., or Heineken USA, which we expect will enable us to further penetrate and increase our sales volumes in the U.S. import market.

Sophisticated Information Systems. We have made significant investments in our information gathering and processing systems, to allow us to better know and understand our consumers preferences. Our information systems enable us to optimize price and to segment markets by brand, presentation, channel and consumption occasion on a point of sale basis. Our systems allow us to be more efficient and effective in production, marketing and distribution.

Proven Management Track Record. Our total sales increased over the five years ended December 31, 2003 at a compounded annual rate of 12%, while our income from operations increased by 14% during the same period. We have an experienced management team that has delivered solid financial results, and we believe that our improved profitability is attributable in large part to the strength of our management.

Strategy

We are a beverage company. Soft drinks and beer are our core businesses, which together define our identity and are the main avenues for our future growth. As a beverage company, we understand the importance of connecting with our consumers by interpreting their needs and ultimately delivering the right products to them for the right occasions. We strive to achieve this by developing superior brand equity, expanding our already significant distribution capabilities and improving the efficiency of our operations. Our ultimate objectives are achieving sustainable revenue growth, improving profitability and increasing the return on invested capital in each of our operations. We believe that by achieving these goals we will create sustainable value for our shareholders.

The following are the key elements of our strategy:

Grow Profitably in Beer. We seek to achieve profitable volume growth in our beer business ultimately to generate value for our shareholders. In order to achieve these objectives in our core Mexican markets, we are following a comprehensive strategy which seeks to:

- differentiate brand portfolios through market segmentation and brand positioning;
- develop advanced capabilities to gather information at the point of sale, by ensuring that appropriate products are being sold at the right price points;
- establish profitable, long-term relationships with retailers, by helping them to sell more products to consumers;

achieve balanced and profitable market coverage, by selecting the appropriate mix of on- and off-premise accounts; and

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continuously pursue the maximization of efficiencies and cost reductions along the entire value chain, from production to final distribution, by using information technology and adapting processes accordingly.

Increase Beer Sales in the United States. We seek to increase the sales of our beer brands in the United States. We have recently entered into an agreement with Heineken USA under which Heineken USA will become the exclusive distributor of our beers in the United States. We believe that our brands complement Heineken USA s existing portfolio of brands in the United States and that this arrangement will allow us to expand the geographic focus of our brands, especially in the eastern United States.

Enhance Profitability in Soft Drinks. Coca-Cola FEMSA seeks to increase its profitability by implementing well-planned product, package and pricing strategies through channel distribution and by implementing best practices in order to improve operational efficiencies across territories, including those acquired from Panamco. Coca-Cola FEMSA seeks to increase per capita consumption of soft drinks in the territories in which it operates and to develop its product portfolio to better meet market demand and maintain overall profitability. Coca-Cola FEMSA expects to pursue selective acquisition opportunities to expand its territories. In addition, because Coca-Cola FEMSA views its relationship with The Coca-Cola Company as integral to its business strategy, Coca-Cola FEMSA uses market information systems and strategies developed with The Coca-Cola Company to improve its coordination with the worldwide marketing efforts of The Coca-Cola Company.

Continued Expansion of Oxxo Chain. We plan to continue to expand the number of Oxxo stores in Mexico. Because Oxxo exclusively carries our beer brands, we believe that Oxxo expansion will contribute to increased market penetration of our beer brands in Mexico. Market segmentation is becoming an important strategic tool, and we expect that it will increasingly allow us to improve the operating efficiency of each store location and the overall profitability of the chain by providing products that customers demand. We are currently further developing our own distribution capabilities, which will permit us to expand our product offerings to include items such as fast food at a lower cost and we believe, ultimately, will enhance our profitability.

Maximizing Operating Efficiencies. We believe the size and scope of our businesses present us with opportunities to improve the efficiency of our operations and leverage our operating strengths across our company. We seek to continue to improve our production and distribution by leveraging our asset base and continuing to invest in information systems that allow us to operate more efficiently. For example, in our beer operations, unsold product returned at the end of a route decreased from 40% before the implementation of pre-sale in 2003 to 2% after its implementation. Coca-Cola FEMSA decreased the number of production facilities existing at the time of the Panamco acquisition from 52 to 32, while at the same time increasing productivity measured in terms of unit cases sold by its remaining plants by more than 50% on a company-wide basis.

Our legal name is Fomento Económico Mexicano, S.A. de C.V., and in commercial contexts we frequently refer to ourselves as FEMSA. Our principal executive offices are located at General Anaya No. 601 Pte., Colonia Bella Vista, Monterrey, Nuevo León 64410, Mexico. Our telephone number at this location is (52-81) 8328-6000. Our website is www.femsa.com. The contents of our website do not constitute part of this prospectus.

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Recent Developments

Interbrew Transactions

On May 24, 2004, we entered into a series of agreements with Interbrew S.A., or Interbrew, Labatt Brewing Company Limited, or Labatt, an indirect wholly owned subsidiary of Interbrew, and certain of their affiliates to terminate the existing arrangements between FEMSA Cerveza and Labatt. Upon completion of the transactions contemplated in the agreements:

- FEMSA will indirectly own 100% of FEMSA Cerveza and existing arrangements among affiliates of FEMSA and Interbrew relating to governance, transfer of ownership and other matters with respect to FEMSA Cerveza will terminate;

- Interbrew will indirectly own 100% of its U.S. distribution and brewing subsidiaries, Labatt USA LLC and Latrobe Brewing Company LLC, which we collectively refer to as Labatt USA, and existing arrangements among affiliates of FEMSA and Interbrew relating to governance, transfer of ownership and other matters with respect to Labatt USA will terminate; and

- Labatt USA s right to distribute the FEMSA Cerveza brands in the United States will terminate 120 days after the closing of these transactions.

The closing of these transactions is subject to certain conditions, including the availability of financing for FEMSA (if the closing has not occurred by August 31, 2004), and the consummation of the combination of Interbrew and Companhia de Bebidas das Américas, or AmBev.

Under the terms of the agreements, we have agreed to pay Interbrew US$ 1.245 billion for its affiliates 30% interest in FEMSA Cerveza, which we intend to finance as follows:

Source	**Amount (U.S. dollar or equivalent)**	
Cash	US$	295 million
Bridge loan to FEMSA, with tranches denominated in Mexican pesos and U.S. dollars, to be refinanced with the net proceeds of the global offering and the Mexican B Unit offering	US$	500 million
Certificados bursátiles denominated in Mexican pesos issued on July 7, 2004 by FEMSA and guaranteed by FEMSA Cerveza, with maturities of four and five years	US$	217 million
Unsecured long-term loans denominated in Mexican pesos to FEMSA and FEMSA Cerveza	US$	233 million
Total	US$	1,245 million

Heineken U.S. Distribution Agreement

On June 21, 2004, FEMSA Cerveza and two of its subsidiaries entered into distributor and sublicense agreements with Heineken USA. In accordance with these agreements, Heineken USA will be the exclusive importer, marketer and seller of FEMSA Cerveza s brands in the United States, commencing 120 days after the closing of the Interbrew transactions described above. These agreements will expire in December 2007.

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Other Recent Developments

On May 7, 2004, Coca-Cola FEMSA obtained a favorable final ruling not subject to appeal from a Mexican federal court allowing it to deduct losses in the amount of Ps. 3.049 billion arising from a sale of shares during 2002. As a result of the ruling, Coca-Cola FEMSA expects to recover approximately Ps. 1.330 billion. More than 85% of this increase will be in the form of a cash reimbursement from the Mexican government, with the balance in the form of a tax deduction.

On June 8, 2004, a group of Brazilian investors, among them Mr. José Luis Cutrale, a recently appointed member of Coca-Cola FEMSA s board of directors, made a capital contribution equivalent to approximately US$ 50 million to Coca-Cola FEMSA s Brazilian operations in exchange for a 16.9% equity stake in these operations. Mr. Cutrale is a Brazilian entrepreneur and owns businesses that are producers of fruit juices, with customers that include The Minute Maid Company, a division of The Coca-Cola Company.

On June 22, 2004, FEMSA Cerveza s brewing subsidiary and Coors Brewing Company entered into an agreement pursuant to which FEMSA Cerveza s subsidiary was appointed the exclusive importer, distributor, marketer and seller of *Coors Light* beer in Mexico. This agreement has an initial term of 10 years and is automatically renewable.

Results for Six Months Ended June 30, 2004

On July 28, 2004, FEMSA announced its results for the six months ended June 30, 2004. For the six months ended June 30, 2004, consolidated total revenues were Ps. 43.712 billion, income from operations was Ps. 6.218 billion and net income was Ps. 4.130 billion, as compared to consolidated total revenues of Ps. 33.439 billion, income from operations of Ps. 5.277 billion and net income of Ps. 1.827 billion for the six months ended June 30, 2003, in each case in constant Mexican pesos at June 30, 2004. Net income for the six months ended June 30, 2004 includes an extraordinary item of Ps. 1.175 billion resulting from the final tax ruling referred to above. As of June 30, 2004, consolidated total assets amounted to Ps. 107.383 billion and consolidated total stockholders equity was Ps. 51.247 billion, in each case in constant Mexican pesos at June 30, 2004.

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SUMMARY FINANCIAL INFORMATION

Historical

The following tables present summary financial information of our company. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, and the notes thereto included in our annual report on Form 20-F for the year ended December 31, 2003, which is incorporated by reference in this prospectus, and our unaudited consolidated financial statements and notes thereto included in this prospectus. The summary financial information is presented on a consolidated basis and is not necessarily indicative of our financial position or results of operations at or for any future date or period.

Information as of and for the five years ended December 31, 2003 has been derived from our audited consolidated financial statements, and information as of and for the three months ended March 31, 2003 and March 31, 2004 has been derived from our unaudited consolidated financial statements.

	Year Ended December 31,					
	2003[1]	2003	2002	2001	2000	1999
	(in millions of U.S. dollars and constant Mexican pesos at December 31, 2003, except for per share data and the weighted average number of shares outstanding)					
Income Statement Data						
Mexican GAAP:						
Total revenues	$ 6,792	Ps. 75,891	Ps. 55,395	Ps. 52,465	Ps. 50,151	Ps. 45,463
Income from operations[2]	1,084	12,114	9,878	8,902	7,995	7,234
Taxes[3]	302	3,378	3,764	3,069	2,615	2,253
Change in accounting principle				(30)		
Net income	417	4,657	4,791	5,215	3,995	4,734
Net majority income	277	3,093	2,947	3,547	2,865	3,587
Net minority income	140	1,564	1,844	1,668	1,130	1,147
Net majority income per share:[4]						
Series B Shares	0.047	0.521	0.496	0.597	0.478	0.599
Series D Shares	0.058	0.651	0.620	0.747	0.599	0.749
Weighted average number of shares outstanding (millions):						
Series B Shares	2,737.7	2,737.7	2,737.7	2,737.8	2,745.8	2,746.5
Series D Shares	2,559.6	2,559.6	2,559.6	2,559.8	2,591.8	2,594.8
Allocations of earnings:						
Series B Shares	46.11%	46.11%	46.11%	46.11%	45.85%	45.85%
Series D Shares	53.89%	53.89%	53.89%	53.89%	54.15%	54.15%
U.S. GAAP:						