

MEXICAN ECONOMIC DEVELOPMENT INC
Form 6-K
October 22, 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 October 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 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

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: October 22, 2010

FEMSA Grows Operating Income
Across Operations in 3Q10

Monterrey, Mexico, October 22, 2010 — Fomento Económico Mexicano, S.A.B. de C.V. (“FEMSA”) announced today its operational and financial results for the third quarter of 2010.

Third Quarter 2010 Highlights:

- FEMSA comparable consolidated total revenues and income from operations grew 4.3% and 2.5%, respectively, compared to the third quarter 2009, in spite of a prevailing soft consumer demand environment. Excluding one-time Heineken transaction-related expenses, comparable consolidated income from operations would have grown 5.2%.
- Coca-Cola FEMSA income from operations increased 7.3%. Double-digit income from operations growth in the Mercosur division drove these results.
- FEMSA Comercio achieved total revenues growth of 15.2% aided by the opening of over 1,000 net new stores in the last twelve months. Income from operations increased 9.0%.

José Antonio Fernández Carbajal, Chairman and CEO of FEMSA, commented: “During the third quarter, a fledgling consumer recovery in Mexico was hindered by extreme rainfall and low temperatures, first in the Northeast in the form of Hurricane Alex, which caused significant mayhem in and around Monterrey and the border region, and later in the Southeast of the country as massive rain precipitation covered large parts of the state of Veracruz and others under several feet of water. In spite of this, same-store-sales at FEMSA Comercio grew ahead of the industry, while the demand pressure on Coca-Cola FEMSA Mexico was offset by strong volume performance in Mercosur. And so, nine months into the year and facing challenging macroeconomic and weather-driven dynamics, as well as very tough comparable bases after a strong 2009, our results can be described as solid. We are focused on closing strong for the year and we are already setting aggressive internal targets for what we expect will be an even stronger 2011.”

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 at www.femsa.com/investor. FEMSA’s consolidated results for the third quarter and for the first nine months of 2010 reflect the transaction effects and are presented on a comparable basis.

Comparable total revenues increased 4.3% compared to 3Q09 to Ps. 42.782 billion. FEMSA Comercio accounted for the majority of the incremental consolidated revenues. For the first nine months of 2010, comparable consolidated total revenues increased 6.8% to Ps. 123.650 billion.

Comparable gross profit increased 3.7% compared to 3Q09 to Ps.18.013 billion in 3Q10 mainly driven by FEMSA Comercio. Gross margin decreased 20 basis points compared to the same period in 2009 to 42.1% of total revenues.

For the first nine months of 2010, comparable gross profit increased 5.7% to Ps. 51.341 billion. Gross margin decreased 50 basis points compared to the same period in 2009 to 41.5% of total revenues. FEMSA Comercio’s gross profit improvement partially offset raw-material-driven cost pressures at Coca-Cola FEMSA.

Comparable income from operations increased 2.5% to Ps. 5.567 billion in 3Q10 as compared to the same period in 2009. Excluding one-time Heineken transaction-related expenses, comparable consolidated income from operations would have grown 5.2% in 3Q10. Consolidated operating margin decreased 20 basis points compared to 3Q09 to 13.0% of total revenues, largely driven by pressure on the gross margin, one-time expenses related to the Heineken transaction, as well as by margin contraction at FEMSA Comercio.

For the first nine months of 2010, comparable income from operations increased 6.1% to Ps. 15.364 billion. Excluding those one-time Heineken transaction-related expenses, comparable consolidated income from operations would have grown 8.9% in that period. Our consolidated operating margin year-to-date was 12.4% as a percentage of total revenues, a decrease of 10 basis points as compared to the same period of 2009, driven by pressure on the gross margin as well as by one-time expenses related to the Heineken transaction.

Net income from continuing operations increased 66.7% to Ps. 5.057 billion in 3Q10 compared to 3Q09, reflecting the fact that this line includes an estimate for three months of FEMSA’s 20% participation in Heineken’s second quarter 2010 net income. The figures also reflect modest growth in comparable income from operations as well as a shift from other expenses in 3Q09, to other income in 3Q10. This shift was largely driven by the net effect of non-recurring items, including income from the sale of the Mundet brand to The Coca-Cola Company, and the restructuring of certain compensation plans at Coca Cola FEMSA. The other income line partially offset a higher integral result of financing during the quarter. This increase in integral result of financing resulted mostly from a higher foreign exchange non-cash loss due to the sequential appreciation of the Mexican Peso and its impact on the dollar-denominated portion of our cash balance. The effective income tax rate on continuing operations was 29.8% in 3Q10 compared to 31.3% in 3Q09.

For the first nine months of 2010, net income for continuing operations increased 52.0% to Ps. 11.499 billion compared to the same period of 2009, primarily as a result of the combination of (i) the inclusion of an estimate for five months of FEMSA’s 20% participation in Heineken’s first half of 2010 net income, (ii) growth in income from operations, and (iii) a reduction in the other expenses line.

Net consolidated income increased 35.1% compared to 3Q09 to 5.057 billion in 3Q10, reflecting the double-digit increase in FEMSA's net income from continuing operations. Net majority income for 3Q10 resulted in Ps. 1.10 per FEMSA Unit1. Net majority income per FEMSA ADS was US\$ 0.87 for the quarter. For the first nine months of 2010, net majority income per FEMSA Unit1 was Ps. 9.84 (US\$ 7.79 per ADS).

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 September 30, 2010 was 3,578,226,270 equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

Capital expenditures increased to Ps. 3.141 billion in 3Q10, driven by higher capacity-related investments at Coca-Cola FEMSA and incremental investments in FEMSA Comercio related to store expansion.

Our consolidated balance sheet as of September 30, 2010, recorded a cash balance of Ps. 25.842 billion (US\$ 2.047 billion), an increase of Ps. 9.883 billion (US\$ 782.7 million) compared to the same period in 2009. Short-term debt was Ps. 3.763 billion (US\$ 298.0 million), while long-term debt was Ps. 20.882 billion (US\$ 1.654 billion). Our consolidated net cash balance was Ps. 1.197 billion (US\$ 94.8 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 15.2% compared to 3Q09 to Ps. 16.219 billion in 3Q10 mainly driven by the opening of 180 net new stores in the quarter, reaching 1,017 total net new store openings in the last twelve months. As of September 30, 2010, FEMSA Comercio had a total of 8,011 convenience stores, which is slightly ahead of schedule relative to the objective for the year. Same-store sales increased an average of 4.4% for the quarter over 3Q09, reflecting a 2.5% increase in average customer ticket and a 1.9% increase in store traffic. 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 more than the reported figure.

For the first nine months of 2010, total revenues increased 15.3% to Ps. 45.478 billion. FEMSA Comercio's same-store sales increased an average of 4.3%, driven by a 3.3% 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 18.2% in 3Q10 compared to 3Q09, resulting in a 90 basis point gross margin expansion to reach 33.8% 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 nine months of 2010, gross margin expanded by 100 basis points to 32.7% of total revenues.

Income from operations increased 9.0% over 3Q09 to Ps. 1.343 billion in 3Q10. Operating expenses increased 21.5% to Ps. 4.136 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, mainly IT-related, which was deferred last year in response to the challenging economic environment that prevailed in Mexico, and (iii) one-time expenses related to floods in the state of Veracruz and others. As a result, operating margin contracted 50 basis points compared to 3Q09, representing 8.3% of total revenues. For the first nine months of 2010, income from operations increased 15.0% to Ps. 3.222 billion, resulting in an operating margin of 7.1%, which is in line with the prior year.

Recent Developments

- During the Third Quarter of 2010, FEMSA sold the Mundet brand to The Coca-Cola Company. Mundet is a 100-plus year old brand acquired by FEMSA in 2001, and its flagship, Sidral Mundet, is a leading product with real apple content.
- On September 16, 2010, FEMSA signed definitive agreements to sell its flexible packaging operations, Grafo Regia. This transaction is consistent with FEMSA's strategy to divest non-core assets. The operation is subject to certain conditions, including approval from the corresponding regulatory authorities, and is expected to close during the fourth quarter of 2010.
- On October 20, 2010 FEMSA's Board of Directors approved the adoption of International Financial Reporting Standards (IFRS) beginning on January 1, 2011, one year before the mandated deadline.

CONFERENCE CALL INFORMATION:

Our Third Quarter Conference Call will be held on: Friday October 22, 2010, 9:00 AM Eastern Time (8:00 AM Mexico City Time). To participate in the conference call, please dial: Domestic US: (877) 573-3228 International: (706) 679-0077, Conference Id 16869822. 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 company that participates in the non-alcoholic beverage industry through Coca-Cola FEMSA, the largest independent bottler of Coca-Cola products in the world in terms of sales volume; in the retail industry through FEMSA Comercio, operating the largest and fastest-growing chain of convenience stores in Latin America, and in the beer industry, through its ownership of the second largest equity stake in Heineken, one of the world's leading brewers with operations in over 70 countries.

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 September 30, 2010, which was 12.6270 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.

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

	For the third quarter of:					For the nine months of:				
	2010 (A)	% of rev.	2009 (A)	% of rev.	% Increase	2010 (A)	% of rev.	2009 (A)	% of rev.	% Increase
Total revenues	42,782	100.0	41,037	100.0	4.3	123,650	100.0	115,829	100.0	6.8
Cost of sales	24,769	57.9	23,675	57.7	4.6	72,309	58.5	67,236	58.0	7.5
Gross profit	18,013	42.1	17,362	42.3	3.7	51,341	41.5	48,593	42.0	5.7
Administrative expenses	2,002	4.7	1,778	4.3	12.6	5,699	4.6	5,385	4.6	5.8
Selling expenses	10,444	24.4	10,155	24.8	2.8	30,278	24.5	28,725	24.9	5.4
Operating expenses	12,446	29.1	11,933	29.1	4.3	35,977	29.1	34,110	29.5	5.5
Income from operations	5,567	13.0	5,429	13.2	2.5	15,364	12.4	14,483	12.5	6.1
Other (expenses) income	224		(396)		N.S.	(299)		(1,264)		(76.3)
Interest expense	(784)		(916)		(14.4)	(2,263)		(3,109)		(27.2)
Interest income	154		291		(47.1)	685		876		(21.8)
Interest expense, net	(630)		(625)		0.8	(1,578)		(2,233)		(29.3)
Foreign exchange (loss) gain	(238)		(68)		N.S.	(599)		(414)		44.7
(Loss) gain on monetary position	21		159		(86.8)	282		370		(23.8)
Gain (loss) on financial instrument(1)	49		(83)		N.S.	151		32		N.S.
Integral result of financing	(798)		(617)		29.3	(1,744)		(2,245)		(22.3)
Participation in Heineken results(2)	2,214		-		N.S.	2,722		-		N.S.
Income before income tax	7,207		4,416		63.2	16,043		10,974		46.2
Income tax	2,150		1,382		55.6	4,544		3,407		33.4
Net income from continuing operations	5,057		3,034		66.7	11,499		7,567		52.0
Gain from transaction with Heineken, net of	-		-		N.S.	26,465		-		N.S.

taxes(3)										
Net Income from FEMSA's former beer operations(4)	-	708	N.S.	706	1,390	(49.2)				
Net consolidated income	5,057	3,742	35.1	38,670	8,957	N.S.				
Net majority income	3,940	2,520	56.3	35,194	5,823	N.S.				
Net minority income	1,117	1,222	(8.6)	3,476	3,134	10.9				

(A) This information is presented on a comparable basis.

EBITDA & CAPEX

Income from operations	5,567	13.0	5,429	13.2	2.5	15,364	12.4	14,483	12.5	6.1
Depreciation	933	2.2	905	2.2	3.1	2,760	2.2	2,798	2.4	(1.4)
Amortization & other(5)	540	1.3	479	1.2	12.7	1,506	1.3	1,217	1.1	23.7
EBITDA	7,040	16.5	6,813	16.6	3.3	19,630	15.9	18,498	16.0	6.1
CAPEX	3,141		2,387		31.6	7,384		5,387		37.1

FINANCIAL RATIOS	2010	2009	Var. p.p.
Liquidity(6)	1.58	1.06	0.52
Interest coverage(7)	11.17	10.90	0.27
Leverage(8)	0.47	0.99	(0.52)
Capitalization(9)	14.36%	22.22%	(7.86)

(1) Includes solely derivative instruments that do not meet hedging criteria for accounting purposes.

(2) Represents the estimated equity-method participation in Heinekens June 2010 net income, adjusted to reflect FEMSA's former beer operations.

(3) Represents the difference between the market value of the Heineken shares (20% equity interest) and the book value of FEMSA's former beer operations, net of transaction tax, as of the closing date.

(4) Represents the net income of FEMSA's former beer operations for the period ended April 30.

(5) Includes returnable bottle breakage expense.

(6) Total current assets / total current liabilities.

(7) Income from operations + depreciation + amortization & other / interest expense, net.

(8) Total liabilities / total stockholders' equity.

(9) Total debt / long-term debt + stockholders' equity.

Total debt = short-term bank loans + current maturities long-term debt + long-term bank loans.

FEMSA
Consolidated Balance Sheet
Millions of Pesos
As of September 30:

ASSETS	2010 (A)	2009 (A)	% Increase
Cash and cash equivalents	25,842	15,959	61.9
Accounts receivable	6,200	5,369	15.5
Inventories	9,960	8,952	11.3
Other current assets	4,332	4,201	3.1
Current assests of Beer Operations	-	20,515	N.S.
Total current assets	46,334	54,996	(15.8)
Investments in shares	73,626	2,130	N.S.
Property, plant and equipment, net	41,320	39,289	5.2
Intangible assets(1)	52,399	52,245	0.3
Other assets	8,264	15,865	(47.9)
Non-Current assests of Beer Operations	-	54,923	N.S.
TOTAL ASSETS	221,943	219,448	1.1
LIABILITIES & STOCKHOLDERS' EQUITY			
Bank loans	2,023	3,021	(33.1)
Current maturities long-term debt	1,740	5,240	(66.8)
Interest payable	122	155	(21.3)
Operating liabilities	25,369	32,579	(22.1)
Current liabilities of Beer Operations	-	10,772	N.S.
Total current liabilities	29,254	51,767	(43.5)
Long-term debt (2)	20,882	20,828	0.3
Labor liabilities	1,863	1,725	8.0
Other liabilities	19,227	8,296	N.S.
Non-Current liabilities of Beer Operations	-	26,754	N.S.
Total liabilities	71,226	109,370	(34.9)
Total stockholders' equity	150,717	110,078	36.9
LIABILITIES AND STOCKHOLDERS' EQUITY	221,943	219,448	1.1

(A) This information is presented on a comparable basis.

(1) Includes mainly the intangible assets generated by acquisitions.

(2) Includes the effect of assigned and non assigned derivative financial instruments on long-term debt, for accountig purposes.

DEBT MIX	Ps.	September 30, 2010	
		% Integration	Average Rate
Denominated in:			
Mexican pesos	13,287	53.9%	6.1%
Dollars	8,292	33.7%	4.5%
Colombian pesos	1,688	6.9%	4.5%
Argentinan pesos	1,191	4.8%	16.6%
Venezuelan bolivars	86	0.3%	12.0%
Brazilian Reals	101	0.4%	4.5%
Total debt	24,645	100.0%	6.1%

Fixed rate(1)	12,093	49.1%
Variable rate(1)	12,552	50.9%

% of Total Debt	2010	2011	2012	2013	2014	2015	2016+
DEBT MATURITY PROFILE	2.2%	13.1%	15.7%	16.1%	5.7%	11.5%	35.7%

(1) Includes the effect of interest rate swaps.

Coca-Cola FEMSA
Results of Operations
Millions of Pesos
For the third quarter of:

	For the third quarter of:					For the nine months of:				
	2010 (A)	% of rev.	2009 (A)	% of rev.	% Increase	2010 (A)	% of rev.	2009 (A)	% of rev.	% Increase
Total revenues	25,675	100.0	26,007	100.0	(1.3)	75,097	100.0	73,358	100.0	2.4
Cost of sales	13,546	52.8	13,943	53.6	(2.8)	40,307	53.7	39,128	53.3	3.0
Gross profit	12,129	47.2	12,064	46.4	0.5	34,790	46.3	34,230	46.7	1.6
Administrative expenses	1,107	4.3	1,137	4.4	(2.6)	3,181	4.2	3,582	4.9	(11.2)
Selling expenses	6,773	26.4	6,968	26.8	(2.8)					