

MEXICAN ECONOMIC DEVELOPMENT INC
Form 6-K
July 22, 2011

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 2011

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: July 22, 2011

FEMSA Delivers Double-Digit Revenue and Operating
Income Growth Across Operations in 2Q11

Monterrey, Mexico, July 22, 2011 — Fomento Económico Mexicano, S.A.B. de C.V. (“FEMSA”) announced today its operational and financial results for the second quarter of 2011.

Second Quarter 2011 Highlights:

- FEMSA comparable consolidated total revenues and income from operations grew 15.5% and 17.7%, respectively, compared to the second quarter of 2010, reflecting double-digit growth at Coca-Cola FEMSA and FEMSA Comercio.
- Coca-Cola FEMSA total revenues and income from operations increased 12.9% and 12.4%, respectively. Double-digit income from operations growth in the Mexico and Mercosur divisions drove these results.
- FEMSA Comercio achieved double digit same-store sales growth during the quarter. Income from operations increased 26.2%.

José Antonio Fernández Carbajal, Chairman and CEO of FEMSA, commented: “The second quarter was a successful one for us, on several fronts. Operationally, we saw sustained momentum at FEMSA Comercio and in most of our territories at Coca-Cola FEMSA, with Mexico continuing to show strong growth. In an environment that is not without its challenges, our team once again managed to produce an encouraging set of results. In addition to that, as you know, during the second quarter we had the privilege of reaching a key strategic agreement with Grupo Tampico to join forces and combine their bottling operations with those of Coca-Cola FEMSA, marking an important step in the journey to consolidate our leadership position in the non-alcoholic beverage space. So as we pass the halfway mark for this year, we are on the right track but we must keep our focus and our energy and continue to strive to exceed the goals we have set for ourselves.”

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 second quarter of 2011 reflect the transaction effects and are presented on a comparable basis.

Comparable total revenues increased 15.5% compared to 2Q10 to Ps. 48.392 billion in 2Q11. FEMSA Comercio and Coca-Cola FEMSA drove the incremental consolidated revenues. For the first half of 2011, comparable consolidated total revenues increased 13.5% to Ps. 91.534 billion.

Comparable gross profit increased 14.5% compared to 2Q10 to Ps. 20.092 billion in 2Q11 driven by FEMSA Comercio and Coca-Cola FEMSA. Gross margin decreased 40 basis points compared to the same period in 2010 to 41.5% of total revenues, as FEMSA Comercio’s gross profit improvement partially offset raw-material-driven cost pressures at Coca-Cola FEMSA.

For the first half of 2011, comparable gross profit increased 13.0% to Ps. 37.547 billion. Gross margin decreased 20 basis points compared to the same period in 2010 to 41.0% of total revenues, mainly due to the effect of the faster growth of lower-margin FEMSA Comercio, which tends to compress FEMSA’s consolidated margins over time.

Comparable income from operations increased 17.7% to Ps. 6.277 billion in 2Q11 as compared to the same period in 2010. Consolidated operating margin increased 30 basis points compared to 2Q10 to 13.0% of total revenues, due mainly to operating margin improvement at FEMSA Comercio.

For the first half of 2011, comparable income from operations increased 13.5% to Ps. 11.085 billion. Our consolidated operating margin year-to-date remained at 12.1% as a percentage of total revenues as compared to the same period of 2010.

Net income from continuing operations increased 7.1% to Ps. 4.066 billion in 2Q11 compared to 2Q10, reflecting the fact that this line includes FEMSA’s 20% participation in Heineken’s 1Q11 net income. The figures also reflect growth in comparable income from operations, as described above. The effective income tax rate on continuing operations was 30.8% in 2Q11 compared to 24.5% in 2Q10.

For the first half of 2011, net income from continuing operations increased 15.7% to Ps. 7.432 billion compared to the same period of 2010, primarily as a result of growth in income from operations.

Net consolidated income decreased 86.7% compared to 2Q10 to Ps. 4.066 billion in 2Q11, due to a high comparison base in 2Q10 which reflected the inclusion of the gain from the transaction. Net majority income for 2Q11 resulted in Ps. 0.77 per FEMSA Unit1. Net majority income per FEMSA ADS was US\$ 0.66 for the quarter. For the first half of 2011, net majority income per FEMSA Unit1 was Ps. 1.39 (US\$ 1.18 per ADS).

Capital expenditures increased to Ps. 2.960 billion in 2Q11 as FEMSA Comercio deployed a higher amount of investment.

Our consolidated balance sheet as of June 30, 2011, recorded a cash balance of Ps. 31.176 billion (US\$ 2.660 billion), an increase of Ps. 8.348 billion (US\$ 712.3 million) compared to the same period in 2010. Short-term debt was Ps.

5.581 billion (US\$ 476.2 million), while long-term debt was Ps. 22.485 billion (US\$ 1,918.7 billion). Our consolidated net cash balance was Ps. 3.110 billion (US\$ 265.4 million).

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, 2011 was 3,578,226,270 equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

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 20.3% compared to 2Q10 to Ps. 18.973 billion in 2Q11 mainly driven by the opening of 342 net new stores in the quarter, reaching 1,132 total net new store openings in the last twelve months. As of June 30, 2011, FEMSA Comercio had a total of 8,963 convenience stores. Same-store sales increased an average of 10.7% for the quarter over 2Q10, reflecting a 4.3% increase in store traffic and a 6.1% increase in average customer ticket.

For the first half of 2011, total revenues increased 19.9% to Ps. 35.083 billion. FEMSA Comercio's same-store sales increased an average of 9.9% driven by a 4.5% increase in store traffic and a 4.9% increase in average customer ticket.

Gross profit increased by 23.1% in 2Q11 compared to 2Q10, resulting in an 80 basis point gross margin expansion to 33.9% of total revenues. This increase reflects (i) a positive mix shift due to the growth of higher margin categories, (ii) a more effective collaboration and execution with our key supplier partners combined with a more efficient use of promotion-related marketing resources, and (iii) a change in the structure of commercial terms for certain supplier partners; while the impact of these terms used to be skewed towards the fourth quarter, it is now more evenly spread throughout the year. For the first half of 2011, gross margin expanded by 70 basis points to 32.8% of total revenues.

Income from operations increased 26.2% over 2Q10 to Ps. 1.590 billion in 2Q11. Operating expenses increased 22.2% to Ps. 4.845 billion, largely driven by the growing number of stores as well as by incremental expenses such as the strengthening of FEMSA Comercio's organizational structure, mainly IT-related. Operating expense growth was contained during the quarter, allowing the operating margin to expand 40 basis points compared to 2Q10, reaching 8.4% of total revenues. For the first half of 2011, income from operations increased 26.0% to Ps. 2.367 billion, resulting in an operating margin of 6.7%, which represents a 30 basis point expansion from the prior year.

CONFERENCE CALL INFORMATION:

Our Second Quarter Conference Call will be held on: Friday July 22, 2011, 11:00 AM Eastern Time (10:00 AM Mexico City Time). To participate in the conference call, please dial: Domestic US: (800) 261-3417 International: (617) 614-3673, Conference Id 87907812. 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 June 30, 2011, which was 11.7191 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 second quarter of:					For the six months of:				
	2011 (A)	% of rev.	2010 (A)	% of rev.	% Increase	2011 (A)	% of rev.	2010 (A)	% of rev.	% Increase
Total revenues	48,392	100.0	41,899	100.0	15.5	91,534	100.0	80,642	100.0	13.5
Cost of sales	28,300	58.5	24,358	58.1	16.2	53,987	59.0	47,418	58.8	13.9
Gross profit	20,092	41.5	17,541	41.9	14.5	37,547	41.0	33,224	41.2	13.0
Administrative expenses	2,037	4.2	1,976	4.7	3.1	3,869	4.2	3,687	4.6	4.9
Selling expenses	11,778	24.3	10,234	24.4	15.1	22,593	24.7	19,773	24.5	14.3
Operating expenses	13,815	28.5	12,210	29.1	13.1	26,462	28.9	23,460	29.1	12.8
Income from operations	6,277	13.0	5,331	12.7	17.7	11,085	12.1	9,764	12.1	13.5
Other (expenses) income	(425)		(320)		32.8	(691)		(518)		33.4
Interest expense	(689)		(729)		(5.5)	(1,327)		(1,477)		(10.2)
Interest income	255									