FEMSA

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FEMSA Releases Unaudited Financial Information for the Third Quarter and Nine Months ended September 30, 1998

Monterrey, Mexico (October 27, 1998) — Set forth below is certain unaudited financial information for Fomento Economico Mexicano, S.A. de C.V. ("FEMSA" or the "Company", formerly Valores Industriales, S.A) (NYSE: FMX) for the third quarter and nine months ended September 30, 1998. FEMSA is a holding company, whose principal activities are grouped under the following six sub-holding companies and carried out by their respective operating subsidiaries: FEMSA Cerveza, S.A. de C.V. ("FEMSA Cerveza"), which engages in the production, distribution and marketing of beer; Coca-Cola FEMSA, S.A. de C.V. ("Coca-Cola FEMSA"), which engages in the production, distribution and marketing of soft drinks; FEMSA Empaques, S.A. de C.V. ("FEMSA Empaques"), which engages in the production and distribution of packaging materials; FEMSA Comercio S.A. de C.V. ("FEMSA Comercio"), which engages in the operation of convenience stores; Desarrollo Comercial FEMSA S.A. de C.V. ("DCF"), which owns 50.01% of the voting capital stock of Empresas Amoxxo, S.A. de C.V. ("Amoxxo"), which operates convenience stores adjacent to gasoline stations; and FEMSA Logística S.A. de C.V.("FEMSA Logística") which provides transportation and logistical services to FEMSA Cerveza and Coca-Cola FEMSA.

All figures are expressed in constant Mexican pesos ("Peso" or "Ps.") with purchasing power as of September 30, 1998 and were prepared in accordance with Mexican Generally Accepted Accounting Principles ("Mexican GAAP").

Unaudited Financial Information for the Third Quarter ended September 30, 1998

FEMSA Consolidated—Income from Operations

Total Revenues/Net Sales

FEMSA's consolidated total revenues increased by 13.9% to Ps. 8.177 billion for the third quarter of 1998 as compared to Ps. 7.180 billion for the third quarter of 1997. Consolidated net sales increased by 14.0% to Ps. 8.124 billion for the third quarter of 1998 as compared to Ps. 7.124 billion for the third quarter of 1997 and represented 99.4% of FEMSA's total revenues for the quarter. The increase in consolidated net sales was attributable to sales gains recorded by each of the Company's principal operating subsidiaries. Sales growth was particularly strong for Coca-Cola FEMSA, FEMSA Empaques and FEMSA Comercio, whose net sales increased by 13.3%, 15.1% and 15.1%, respectively, in the third quarter of 1998. Sales growth was primarily attributable to growth in sales volumes and, in the case of FEMSA Comercio, same store sales growth of 9.8% and an increase in the number of Oxxo stores.

Gross Profit
FEMSA’s consolidated gross profit increased by 13.8% to Ps. 3.732 billion for the third quarter of 1998 as compared to Ps. 3.280 billion for the third quarter of 1997. FEMSA’s consolidated gross profit margin was 45.9% of consolidated net sales in the third quarter of 1998 as compared to a consolidated gross profit margin of 46.0% in the third quarter of 1997.

Income from Operations
FEMSA’s consolidated operating expenses increased by 15.8% for the third quarter of 1998 to Ps. 2.505 billion from Ps. 2.164 billion in the third quarter of 1997. Consolidated income from operations (after participation in the results of affiliated companies) for the third quarter of 1998 increased by 11.0% to Ps. 1.254 billion from Ps. 1.130 billion in the comparable period of 1997, and the consolidated operating margin decreased to 15.3% of consolidated total revenues in the third quarter of 1998 from 15.7% of consolidated total revenues in the third quarter of 1997.

FEMSA Cerveza

Net Sales
FEMSA Cerveza’s net sales increased by 6.8% in the third quarter of 1998 to Ps. 3.230 billion from Ps. 3.024 billion in the comparable period in 1997. Total revenues increased by 6.4% to Ps. 3.242 billion in the third quarter of 1998 from 3.046 billion in the third quarter of 1997. FEMSA Cerveza’s total shipments increased by 4.4% to 5.969 million hectoliters for the third quarter of 1998 from 5.717 million hectoliters for the third quarter of 1997. Domestic shipments increased by 3.7% to 5.587 million hectoliters in the third quarter of 1998 from 5.390 million hectoliters in the comparable period of 1997. FEMSA Cerveza’s domestic shipments grew at a higher rate than the industry, as a result of a higher industry growth for the quarter in some of FEMSA Cerveza´s stronghold territories, as compared to the previous quarters of this year, when these territories had grown significantly below the average industry growth, and as a result of FEMSA Cerveza´s improved competitive position in some markets. Canned presentations represented 16.4% of domestic shipments in the third quarter of 1998, compared to 15.3% in the third quarter of 1997. Returnable presentations decreased from 81.4% of domestic shipments in the third quarter of 1997 to 80.9% of domestic shipments in the third quarter of 1998. For the third quarter of 1998, export shipments grew by 16.8% to 382 thousand hectoliters, compared with 327 thousand hectoliters in the comparable period of 1997. Shipments to the United States, FEMSA Cerveza’s main export market, increased by 35.0% in the third quarter of 1998 as compared to the same period in 1997. Export revenues increased by 23.2% to Ps. 272 million in the third quarter of 1998 from Ps. 221 million in the third quarter of 1997. In U.S. Dollar terms, export revenues increased by 17.2%. The increase in net sales is primarily attributable to the growth in domestic shipments, an increase in the average price per hectoliter, and the growth of the can presentation which is priced at a premium over the 12 oz. returnable presentation.

Gross Profit
In the third quarter of 1998, the cost of goods sold increased by 4.1% to Ps. 1.596 from Ps. 1.533 in the third quarter of 1997. Despite the adverse effect of the depreciation of the Peso against the Dollar on the cost of imported raw materials and certain dollar denominated packaging materials, the relatively small growth in the cost of goods sold reflects the continuos reduction in conversion costs. As a result of the spin-off of FEMSA Cerveza's assets dedicated to primary transportation and maintenance facilities, as of April 1, 1998, FEMSA Cerveza began paying the cost of primary transportation services to FEMSA Logística, the entity formed in the spin-off, including a mark-up to compensate FEMSA Logística for the carrying cost of the assets dedicated to provide such services. The additional charge to the cost of goods sold of FEMSA Cerveza to reflect this mark-up amounted to Ps. 15.5 million during the third quarter of 1998. This intercompany charge, which is eliminated in consolidation, will be a recurring charge to FEMSA Cerveza. The charge is determined with reference to the constant Peso value of the assets that were spun-off to FEMSA Logística. Notwithstanding the adverse effect of the devaluation of the Peso and the additional charges paid to FEMSA Logística, FEMSA Cerveza's gross profit increased by 8.8% for the third quarter of 1998 to Ps. 1.646 billion from Ps. 1.513 billion for the comparable period in 1997. As a result of the higher rate of growth of net sales relative to the cost of goods sold, FEMSA Cerveza's gross profit margin expanded by 1.0 percentage points to 51.0% of net sales in the third quarter of 1998 from 50.0% of net sales in the third quarter of 1997.

Income from Operations
Operating expenses increased by 11.4% for the three months ended September 30, 1998 to Ps. 1.057 billion from Ps. 949 million for the comparable period last year. The increase in operating expenses is primarily attributable to an increase in sales force variable compensation as a result of volume growth, sponsorships and investment in brand awareness for all of FEMSA Cerveza's principal brands, investments incurred in connection with the roll-out of Sol in the United States, and other demand related expenses. Participation in the results of Labatt USA increased by 87.6% to Ps. 27.2 million for the third quarter of 1998 from Ps. 14.5 million recorded for the third quarter of 1997. FEMSA Cerveza's income from operations, after participation in the results of Labatt USA and before deduction of management fees paid to FEMSA and to Labatt, increased by 6.5% to Ps. 616 million for the third quarter of 1998 from Ps. 578 million for the third quarter of 1997. This represented an operating margin before management fees of 19.0% of total revenues, compared with an operating margin before management fees of 19.0% of total revenues recorded in the third quarter of 1997. Management fees amounted to Ps. 60 million, representing 1.9% of total revenues for the third quarter of 1998, compared with Ps. 25 million or 0.8% of total revenues recorded in the third quarter of 1997. The increase in management fees paid by FEMSA Cerveza was implemented to more adequately compensate FEMSA and Labatt for the services provided to FEMSA Cerveza as explained in the Recent Transactions and Business Developments section below. FEMSA Cerveza's income from operations, after participation in the results of Labatt USA and after deduction of management fees paid to FEMSA and to Labatt, increased by 0.4% to Ps. 556 million for the third quarter of 1998 from Ps. 553 million for the third quarter of 1997.

Coca-Cola FEMSA

Net Sales
Coca-Cola FEMSA recorded net sales of Ps. 3.040 billion for the third quarter of 1998, a 13.3% increase from net sales of Ps. 2.683 billion for the third quarter of 1997. Total revenues grew by 13.1% to Ps. 3.061 billion from Ps. 2.707 billion in the third quarter of 1997. Net sales growth was driven by volume growth in the Mexican and in the Buenos Aires territories. Sales volume in the Mexican territories grew by 14.2% to 99.6 million unit cases in the third quarter of 1998 and represented 77.6% of Coca-Cola FEMSA's total sales volume for such period. For the third quarter of 1998, sales volume in the Valley of

Mexico increased by 10.6% as compared to third quarter 1997 to 75.1 million unit cases and sales volume in Southeast Mexico increased by 16.1% as compared to third quarter 1997 to 22.4 million unit cases, (excluding 2.1 million unit cases sold in the Tapachula territory). Volume growth in the Mexican territories reflects a continued investment in technology that provides Coca-Cola FEMSA with better market and customer information, and continued emphasis the pre-sell system and increased refrigeration equipment placement. Sales volume in Buenos Aires increased by 8.9% to 26.9 million unit cases (excluding 1.8 million unit cases sold by the new territory in Argentina) in the third quarter of 1998 from 24.7 million unit cases in the third quarter of 1997. All of the volume figures above include bottled water.

Sales growth slightly exceeded volume growth in Mexico primarily as a result of a 9.5% weighted average price increase implemented on August 1, 1998 in the Valley of Mexico territory. Average real prices for Coca-Cola FEMSA's products for the third quarter of 1998 increased by approximately 1.0% in the Mexican territories as compared to the third quarter of 1997. In the Buenos Aires territory, average prices declined by approximately 6.3% in the third quarter of 1998 as compared to the same period in 1997, partially offsetting the positive effect of volume growth and resulting in an increase in net sales of approximately 9.1% in this territory for the third quarter of 1998 as compared to the third quarter of 1997.

Gross Profit

Coca-Cola FEMSA's cost of goods sold increased by 12.7% to Ps. 1.674 billion for the third quarter of 1998, compared to Ps. 1.486 billion for the third quarter of 1997. The increase in cost of goods sold is primarily attributable to growth in volumes, higher raw material costs associated with the increase in the mix of one-way presentations and the effect of the depreciation of the Peso against the Dollar on certain packaging costs. Notwithstanding the increase in the cost of goods sold, Coca-Cola FEMSA recorded gross profit of Ps. 1.387 billion for the third quarter of 1998, a 13.6% increase over gross profit of Ps. 1.221 billion for the comparable period in 1997. As a result of a slightly lower rate of growth of the cost of goods sold relative to net sales, Coca-Cola FEMSA's gross margin for the third quarter of 1998 increased by 0.1 percentage points to 45.6% of net sales compared with 45.5% for the same period last year.

Income from Operations

Income from operations after amortization of goodwill grew by 12.3% to Ps. 399 million for the third quarter of 1998, from Ps. 356 million for the third quarter of 1997. Coca-Cola FEMSA's operating margin declined slightly from 13.1% in the third quarter of 1997 to 13.0% in the third quarter of 1998. The increase in income from operations was attributable to the improvement of profitability in the Buenos Aires territory, as well as to the efforts that Coca-Cola FEMSA has made to improve productivity and contain both selling and administrative expenses, which increased by 13.7% for the third quarter of 1998, despite higher distribution and maintenance costs incurred in the Mexican territories as a consequence of unseasonably wet weather and extensive flooding.

FEMSA Empaques

Net Sales

FEMSA Empaques experienced net sales growth of 15.1% for the third quarter of 1998 to Ps. 1.496 billion from Ps. 1.3 billion for the third quarter of 1997. Sales growth was mainly attributable to a 21.5% volume growth in beverage cans, 10.7% volume growth in crown caps, 10.2% volume growth in glass bottles, 9.4% volume growth in cardboard, and 8.0% volume growth in commercial refrigerators. In addition to strong volume growth, net sales growth is also attributable to the effect of the depreciation of the Peso against the Dollar, because the domestic prices of some of FEMSA Empaques products are denominated in Dollars, as well as to the increase in the prices of glass bottles and in certain flexible packaging products.

Export revenues decreased by 1.8%, to Ps. 130 million in the third quarter of 1998 from Ps. 132 million in the third quarter of 1997, and represented 8.7% of net sales compared to 10.2% in the third quarter of 1997. In U.S. Dollar terms, export revenues decreased by 11.4% for the third quarter of 1998. Inter-company sales accounted for 52.0% of FEMSA Empaques' total revenues for the third quarter of 1998, as compared to 57.5% for the same period last year.

Gross Profit

The cost of goods sold increased by 13.8% for the third quarter of 1998 to Ps. 1.120 billion from Ps. 984 million for the third quarter of 1997. This increase was mainly attributable to the growth in volumes, as well as to the impact of the devaluation of the Peso against the Dollar on the cost of imported raw materials. The negative impact of the depreciation of the Peso on the cost of goods sold was partially offset by efficiency gains and waste reductions realized in some FEMSA Empaques product lines. Notwithstanding the increase in the cost of goods sold, FEMSA Empaques' gross profit increased by 16.5% to Ps. 385 million for the third quarter of 1998 from Ps. 331 million for the comparable period last year. The gross margin increased slightly by 0.3 percentage points to 25.7% from 25.4% of net sales, reflecting the higher rate of growth of net sales relative to the cost of goods sold.

Income from Operations

Operating expenses increased by 32.0% for the third quarter of 1998 as compared to the same period last year. This increase resulted from a growing sales structure to support FEMSA Empaques' increasing sales to domestic and foreign third party customers and higher freight costs absorbed by FEMSA Empaques on behalf of clients, particularly FEMSA Cerveza. As a consequence of a higher rate of growth in operating expenses relative to gross profit, income from operations before deduction of management fees increased by 10.2% to Ps. 260 million in the third quarter of 1998 from Ps. 236 million in the third quarter of 1997. The operating margin before management fees declined to 17.2% of total revenues compared to 17.9% of total revenues in the third quarter of 1997, a lower reduction in margins that the one experienced in the previous quarters. In the third quarter of 1998, management fees amounted to Ps. 15 million, representing 1.0% of total revenues, from Ps. 13 million or 1.0% of total revenues in the third quarter of 1997. Income from operations after deduction of management fees increased by 9.9% for the third quarter of 1998 to Ps. 245 million from Ps. 222 million for the comparable period last year.

FEMSA Comercio

Net Sales

FEMSA Comercio's net sales increased by 15.1% for the third quarter of 1998 to Ps. 1.035 billion from Ps. 899 million for the third quarter of 1997. Sales growth was primarily attributable to a 8.5% increase in the total number of stores, which increased from 855 at September 30, 1997 to 928 at September 30, 1998. In the third quarter of 1998, average same store sales increased by 9.8%, average monthly traffic per store increased by 10.9% and the average sale per customer decreased by 1.0% compared to the same period of 1997.

Gross Profit

The cost of goods sold increased by 14.3% for the third quarter of 1998 to Ps. 776 million from Ps. 679 million for the comparable period last year and FEMSA Comercio recorded gross profit of Ps. 258 million, a 16.7% gain from gross profit of Ps. 221 million in the third quarter of 1997. FEMSA Comercio's gross margin increased slightly to 25.0% of net sales in the third quarter of 1998 from 24.6% of net sales recorded in the third quarter of 1997.

Income from Operations

Operating expenses increased by 11.5%, mainly reflecting the increase in the number of stores. FEMSA Comercio recorded income from operations before deduction of management fees of Ps. 39 million in the third quarter of 1998, an increase of 57.8% relative to income from operations of Ps. 25 million for the third quarter of 1997. FEMSA Comercio's operating margin before management fees increased to 3.8% in the third quarter of 1998 from 2.8% recorded in the third quarter of 1997. In the third quarter of 1998, management fees represented 0.3% of total revenues, increasing to Ps. 3.1 million from Ps. 2.8 million or 0.3% of total revenues in the third quarter of 1997. Income from operations after deduction of management fees increased by 63.9% for the third quarter of 1998 to Ps. 36 million from Ps. 22 million for the comparable period last year.

FEMSA Consolidated — Net Income

Notwithstanding an 11.0% increase in consolidated income from operations, FEMSA's consolidated net income for the third quarter of 1998 declined by 77.5% to Ps. 237 million from Ps. 1.051 billion for the third quarter of 1997, largely as a result of the expense generated by the consolidated integral result of financing, an increase in other expenses and a higher average tax rate.

In the third quarter of 1998, FEMSA recorded consolidated integral result of financing expense of Ps. 748 million, compared to a consolidated integral result of financing income of Ps. 189 million for the comparable period in 1997, primarily as a result of a significant increase in consolidated foreign exchange loss. This resulted from a Peso devaluation of 13.3% in the third quarter of 1998 compared with an appreciation of 2.0% in the third quarter of 1997. The Peso devaluation generated a foreign exchange loss of Ps. 785 million in the third quarter of 1998 compared to a foreign exchange gain of Ps. 178 million in the comparable period in 1997. Net financial expenses decreased 18.7% to Ps. 165 million in the third quarter of 1998 from Ps. 203 million in the comparable period in 1997. This decrease was attributable to a 12.2% decline in interest expense to Ps. 267 million in the third quarter of 1998 from Ps. 304 million in the third quarter of 1997, reflecting the reduction in total debt. The gain on monetary position amounted to Ps. 202 million in the third quarter of 1998 compared to Ps. 214 million in the third quarter of 1997.

FEMSA recorded consolidated other expenses of Ps. 107 million for the third quarter of 1998 compared with consolidated other expenses of Ps. 94 million for the comparable period last year. The increase in consolidated other expenses is primarily attributable to severance payments from Coca-Cola FEMSA and FEMSA Cerveza, and asset write-offs from Coca-Cola FEMSA.

FEMSA and its subsidiaries recognized consolidated income tax, tax on assets and employee profit sharing expense of Ps. 162 million in the third quarter of 1998, compared to Ps. 174 million of such expenses in the comparable period of 1997. The Company's average tax rate for the third quarter of 1998 was higher than the average tax rate for the comparable period last year as a result of: (i) a lower utilization of tax loss carryforwards, and (ii) a reduction in income before tax, tax on assets and employee profit sharing primarily due to the fact that an important part of the foreign exchange loss is generated at the different holding company levels and could not be offset against fiscal profits. There was however an increase in the tax benefit derived from the fiscal consolidation in the third quarter of 1998 which amounted to Ps. 105 million compared with a benefit of Ps. 48 million in the third quarter of 1997. If the subsidiaries of the Company continue to generate profits and the Peso does not depreciate significantly, then the Company expects the average tax rate to decrease.

Consolidated net majority income declined by 75.9% to Ps. 102 million for the third quarter of 1998 from Ps. 424 million for the third quarter of 1997. Net majority income was additionally affected by the fact that the integral result of financing attributable to the debt borrowed at the holding company level is allocated only to majority interest.

Unaudited Financial Information for the Nine Months ended September 30, 1998

FEMSA Consolidated — Income from Operations

Total Revenues/Net Sales
FEMSA's consolidated total revenues increased by 14.6% to Ps. 23.408 billion for the nine months ended September 30, 1998 from Ps. 20.422 billion for the nine months ended September 30, 1997. Consolidated net sales increased by 14.8% to Ps. 23.240 billion for the nine months ended September 30, 1998 and represented 99.3% of total revenues. The increase in consolidated net sales was attributable to sales gains recorded by each of the Company's principal operating subsidiaries. Sales growth was particularly strong for Coca-Cola FEMSA, FEMSA Empaques and FEMSA Comercio whose net sales increased by 13.1%, 13.0% and 18.7%, respectively in the nine months ended September 30, 1998 as compared to the same period in 1997. Sales growth was primarily attributable to growth in sales volumes and, in the case of FEMSA Comercio, same store sales growth of 12.4% and an increase in the number of Oxxo stores.

Gross Profit
FEMSA's consolidated gross profit increased by 16.1% to Ps. 10.603 billion for the nine months ended September 30, 1998 as compared to Ps. 9.135 billion for the same period of 1997, representing a consolidated gross profit margin of 45.6% of consolidated net sales, compared to 45.1% in the nine months ended September 30, 1997. The improvement in the consolidated gross profit margin for the nine months ended September 30, 1998 is mainly attributable to the gross margin expansion of FEMSA Cerveza.

Income from Operations
FEMSA's consolidated operating expenses increased by 15.6% for the nine months ended September 30, 1998 to Ps. 7.319 billion from Ps. 6.332 billion in the nine months ended September 30, 1997. The rate of increase in consolidated gross profit exceeded the growth in consolidated operating expenses and, as a result, consolidated income from operations (after participation in the results of affiliated companies) for the nine months ended September 30, 1998 increased by 17.2% to Ps. 3.329 billion from Ps. 2.841 billion in the comparable period of 1997. The Company's consolidated operating margin improved to 14.2% of consolidated total revenues in the nine months ended September 30, 1998 from 13.9% of consolidated total revenues in the nine months ended September 30, 1997, as a result of improvements in the operating margins in all of the Company's operating subsidiaries with the exception of FEMSA Empaques.

FEMSA Cerveza

Net Sales
FEMSA Cerveza's net sales increased by 7.7% in the nine months ended September 30, 1998 to Ps. 9.207 billion from Ps. 8.550 billion in the comparable period in 1997 and total revenues increased by 7.3% to Ps. 9.247 billion in the nine months ended September 30, 1998 from Ps. 8.614 billion in the nine months ended September 30, 1997. FEMSA Cerveza's total shipments increased by 2.6% to 16.909 million hectoliters for the nine months ended September 30, 1998 from 16.485 million hectoliters for the comparable period last year. Domestic shipments increased by 2.2% to 15.875 million hectoliters in the nine months ended September 30, 1998 from 15.538 million hectoliters in the comparable period of 1997. Canned presentations represented 16.9% of domestic shipments in the nine months ended September 30, 1998, compared to 16.0% in the nine months ended September 30, 1997. Returnable presentations decreased slightly from 80.4% of domestic shipments in the nine months ended September 30, 1997 to

80.0% of domestic shipments in the nine months ended September 30, 1998. For the nine months ended September 30, 1998, export shipments grew by 9.2% to 1.034 million hectoliters compared with 947 thousand hectoliters in the comparable period of 1997. Shipments to the United States, FEMSA Cerveza's main export market, increased by 21.4% in the nine months ended September 30, 1998, compared with the same period in 1997. Shipments to the Latin American market, in particular to Brazil decreased significantly, as a result of the reorganization of the sales structure in Brazil and, more importantly, the unfavorable changes in the Brazilian trade environment. Total export revenues increased by 25.3% to Ps. 620 million in the nine months ended September 30, 1998 from Ps. 495 million for the comparable period last year. In U.S. Dollar terms, export revenues increased by 9.3%. The increase in net sales for the nine months ended September 30, 1998 is primarily attributable to an accumulated growth of 2.6% in total shipments, an increase in the domestic average price per hectoliter, and the recovery of the can presentation, which is priced at a premium relative to the 12 oz. returnable presentation.

Gross Profit

FEMSA Cerveza's gross profit increased by 17.3% for the nine months ended September 30, 1998 to Ps. 4.695 billion from Ps. 4.004 billion for the comparable period in 1997. The increase in gross profit was the result of a 1.3% decline in the cost of goods sold primarily attributable to a real decline in variable costs such as brewing, packaging and services which resulted in lower conversion costs, as well as to declines in certain fixed costs attributable to efficiencies gained in the production process. The cost of goods sold include an additional charge of Ps. 47.1 million reflecting the mark up paid to FEMSA Logística for the nine months ended September 30, 1998. As a result of these cost reductions and an increase in net sales, FEMSA Cerveza's gross profit margin expanded by 4.2 percentage points to 51.0% of net sales in the nine months ended September 30, 1998 from 46.8% of net sales in the nine months ended September 30, 1997.

Income from Operations

Operating expenses increased by 17.6% for the nine months ended September 30, 1998 to Ps. 3.138 million from Ps. 2.668 million for the comparable period last year. The increase in operating expenses is primarily attributable to an increase in marketing expenses due to advertising and media campaigns, specific advertisement efforts related to the World Cup, sponsorships and investment in brand awareness for all of FEMSA Cerveza's principal brands, investments incurred in connection with the roll-out of the Sol brand in the United States, and other demand-related expenses. Additionally, FEMSA Cerveza supported volume during the first months of the year by increasing its commercial expenses in order to partially offset the impact of the price increase implemented in January 1998. Moreover, as part of FEMSA Cerveza´s brand portfolio strategy, at September 30, 1998 FEMSA Cerveza had increased the number of retailers served in low market-share regions. The efficient absorption of the fixed costs associated with such extended coverage would occur in the event volumes grew in the low market-share regions. Participation in the results of Labatt USA increased by 19.7% to Ps. 46 million for the nine months ended September 30, 1998 from Ps. 38 million for the nine months ended September 30, 1997. FEMSA Cerveza's income from operations, after participation in the results of Labatt USA and before deduction of management fees paid to FEMSA and Labatt, increased by 16.6% to Ps. 1.603 billion for the nine months ended September 30, 1998 from Ps. 1.374 billion for the comparable period last year. This represented an operating margin before management fees of 17.3% for the nine months ended September 30, 1998 compared to 16.0% for the same period last year. Management fees increased by 58.1% to Ps. 113 million in the nine months ended September 30, 1998 from Ps. 71 million in the nine months ended September 30, 1997, reflecting the increase in fees paid in the third quarter, as explained in the Recent Transactions and Business Developments Section below. FEMSA Cerveza's income from operations after participation in the results of Labatt USA and after deduction of management fees increased by 14.4% to Ps. 1.490 billion for the nine months ended September 30, 1998 from Ps. 1.303 billion for the nine months ended September 30, 1997.

Coca-Cola FEMSA

Net Sales

Coca-Cola FEMSA recorded net sales of Ps. 8.805 billion for the nine months ended September 30, 1998, a 13.1% increase from net sales of Ps. 7.787 billion for the nine months ended September 30, 1997. Total revenues grew by 13.0% to Ps. 8.886 billion from Ps. 7.864 billion in the nine months ended September 30, 1997. Net sales growth was driven by volume growth in the Mexican territories. Sales volume in the Mexican territories grew by 23.4 % to 298.1 million unit cases from 241.5 million unit cases in the nine months ended September 30, 1997 and represented 78.6% of Coca-Cola FEMSA's total sales volume for the first nine month of 1998 period. For the nine months ended September 30, 1998, sales volume in the Valley of Mexico increased by 20.6% to 225.2 million unit cases from 186.7 million unit cases in the same period of 1997 and sales volume in Southeast Mexico increased by 20.4% to 66.0 million unit cases, (excluding 6.9 million unit cases sold in the Tapachula territory) as compared to 54.8 million unit cases in the same period of 1997. Volume growth in the Mexican territories reflects Coca-Cola FEMSA's continued investment in technology, sales force training, the pre-sell system and refrigeration equipment as well as increased promotional efforts. Sales volume in Buenos Aires increased by 8.5% to 79.3 million unit cases (excluding 2.0 million unit cases sold in the new territory) in the nine months ended September 30, 1998 from 73.1 million unit cases in the nine months ended September 30, 1997. All of the volume figures above include bottled water.

Sales growth slightly lagged volume growth in Mexico primarily due to the higher rate of growth of larger presentations, which are sold for a lower price per ounce of beverage than smaller presentations. In addition, average real prices for Coca-Cola FEMSA's products have continued to decline in 1998. Average real prices for Coca-Cola FEMSA's products declined by 1.2% in the Mexican territories in the nine months ended September 30, 1998. In the Buenos Aires territory, average prices declined by 12.8% for the same period, which offset the positive effect of volume growth, resulting in a decline in net sales of approximately 3.1% in this territory for the nine months ended September 30, 1998.

Gross Profit

Coca-Cola FEMSA's cost of goods sold increased by 14.4% to Ps. 4.955 billion for the nine months ended September 30, 1998, compared to Ps. 4.332 billion for the nine months ended September 30, 1997. The increase in the cost of goods sold is primarily attributable to higher volumes, an increase in real wages, higher raw material costs associated with the increase in the mix of one-way presentations and the effect of the depreciation of the Peso against the Dollar on packaging costs. Notwithstanding the increase in the cost of goods sold, Coca-Cola FEMSA recorded gross profit of Ps. 3.931 billion for the nine months ended September 30, 1998, an 11.3 % increase over gross profit of Ps. 3.532 million for the comparable period in 1997. As a result of a lower rate of growth of net sales relative to the cost of goods sold, Coca-Cola FEMSA's gross margin for the nine months ended September 30, 1998 was 44.6% of net sales, compared with 45.4% for the same period last year.

Income from Operations
Income from operations after amortization of goodwill grew by 15.3% to Ps. 1.064 million for the nine months ended September 30, 1998, from Ps. 922 million for the nine months ended September 30, 1997, and Coca-Cola FEMSA's operating margin expanded from 11.7% of total revenues in the nine months ended September 30, 1997 to 12.0% in the nine months ended September 30, 1998, notwithstanding the decline in the income from operations in the Buenos Aires territory. The increase in income from operations was attributable to the many efforts which Coca-Cola FEMSA has made to improve productivity and contain operating expenses, which increased by 9.4% for the nine months ended September 30, 1998.

FEMSA Empaques

Net Sales
FEMSA Empaques experienced net sales growth of 13.0% to Ps. 4.339 billion for the nine months ended September 30, 1998 from Ps. 3.840 billion for the nine months ended September 30, 1997. Sales growth was mainly attributable to volume growth of 30.5% in beverage cans, 8.5% in crown caps, 40.5% in commercial refrigerators and 11.1% in cardboard. Export revenues increased by 45.8% to Ps. 361 million in the nine months ended September 30, 1998 from Ps. 248 million in the nine months ended September 30, 1997, and represented 8.3% of net sales compared to 6.4% in the nine months ended September 30, 1997. In U.S. Dollar terms, export revenues increased by 27.9% for the nine months ended September 30, 1998. Inter-company sales accounted for 53.3% of FEMSA Empaques' total revenues for the nine months ended September 30, 1998, compared to 58.3% for the same period last year. Despite the positive effect of a depreciation of the Peso against the Dollar on the real prices of some of FEMSA Empaques products, prices in general have continued to decrease in real terms compared with the same period last year.

Gross Profit
The cost of goods sold increased by 12.8% for the nine months ended September 30, 1998 to Ps. 3.254 billion from Ps. 2.885 billion for the nine months ended September 30, 1997, mainly as a result of higher volumes. Increasing costs of imported raw material, mainly aluminum, steel and paper, as a consequence of the devaluation of the peso against the dollar also impacted FEMSA Empaques. FEMSA Empaques' gross profit increased by 11.8% to Ps. 1.105 billion for the nine months ended September 30, 1998 from Ps. 989 million for the comparable period last year, and its gross margin decreased by 0.2 percentage points to 25.5% of net sales.

Income from Operations
Operating expenses increased by 30.9% for the nine months ended September 30, 1998, due primarily to a growing sales structure to support FEMSA Empaques' increasing sales to domestic and export third-party customers and higher freight costs absorbed by FEMSA Empaques on behalf of clients, particularly FEMSA Cerveza. Income from operations before deduction of management fees increased by 3.9% to Ps. 726 million in the nine months ended September 30, 1998 from Ps. 699 million for the same period last year. The operating margin before management fees declined to 16.6% of total revenues for the nine months ended September 30, 1998, compared with a 18.0% of total revenues in the nine months ended September 30, 1997. Income from operations after deduction of management fees increased by 3.4% to Ps. 682 million for the nine months ended September 30, 1998 from Ps. 660 million for the nine months ended September 30, 1997.

FEMSA Comercio

Net Sales
FEMSA Comercio's net sales increased by 18.7% for the nine months ended September 30, 1998 to Ps. 2.929 billion from Ps. 2.469 billion for the nine months ended September 30, 1997. Sales growth was primarily attributable to a 8.5% increase in the total number of stores, which increased from 855 at September 30, 1997 to 928 at September 30, 1998. In the nine months ended September 30, 1998, average same store sales increased by 12.4%, average monthly traffic per store increased by 13.2% and average sale per customer decreased by 0.7%, all compared to the same period in 1997.

Gross Profit
The cost of goods sold increased by 19.7% for the nine months ended September 30, 1998 to Ps. 2.215 billion from Ps. 1.850 billion for the comparable period last year and FEMSA Comercio recorded gross profit of Ps. 714 million, a 15.2 % gain from gross profit of Ps. 620 million in the nine months ended September 30, 1997. FEMSA Comercio's gross margin declined slightly to 24.4% of net sales in the nine months ended September 30, 1998 from 25.1% recorded in the nine months ended September 30, 1997. The decline in gross margin is attributable to FEMSA Comercio's pricing strategy, which is to price high sale-frequency items at prices similar to those found in supermarkets. The objective of this pricing strategy is to increase customer traffic and thereby increase sales.

Income from Operations
FEMSA Comercio recorded income from operations before deduction of management fees of Ps. 92 million in the nine months ended September 30, 1998, an increase of 54.7% relative to income from operations of Ps. 59 million for the nine months ended September 30, 1997. FEMSA Comercio's operating margin before management fees increased to 3.1% in the nine months ended September 30, 1998 from 2.4% recorded in the nine months ended September 30, 1997. Income from operations after deduction of management fees for the nine months ended September 30, 1998 increased by 59.9% to Ps. 83 million from Ps. 52 million for the comparable period last year.

Amoxxo

As of September 30, 1998, there were 25 Oxxo Express Service Centers in operation. In the nine months ended September 30, 1998, Amoxxo recorded net sales of Ps. 616 million compared with Ps. 180 million for the nine months ended September 30, 1997. Amoxxo registered an operating loss of Ps. 32 million in the first nine months of 1998 compared with an operating loss of Ps. 21 million for the same period last year. Amoxxo expects that the construction of additional sites will be undertaken at a slower pace for the rest of 1998 than originally budgeted, while management reviews the profitability of present sites and investment and projected revenue levels for future sites.

FEMSA Logística

The logistics operations recorded net sales of Ps. 591 million and generated an operating profit of Ps. 47.5 million for the nine months ended September 30, 1998. The objectives of FEMSA Logística are to intensify efforts to reduce the overall cost of transportation services for its affiliates and to enable these affiliates to focus solely on producing, marketing and selling their respective products and improving returns on net operating assets. It is expected that FEMSA Logística will also begin servicing FEMSA Empaques and Oxxo's primary transportation requirements in the short term.

FEMSA Consolidated — Net Income

Notwithstanding a 17.2% increase in consolidated income from operations, FEMSA's consolidated net income for the nine months ended September 30, 1998 declined by 60.9% to Ps. 892 million from Ps. 2.280 billion for the nine months ended September 30, 1997. This decline was largely a result of the expense generated by the consolidated integral result of financing, other expenses and a higher average tax rate.

In the nine months ended September 30, 1998, FEMSA recorded consolidated integral result of financing expense of Ps. 1.587 billion, compared to a consolidated integral result of financing income of Ps. 151 million for the comparable period in 1997, primarily as a result of a significant increase in consolidated foreign exchange loss. This resulted from a devaluation of the Peso against the Dollar of 26.4% for the nine months ended September 30, 1998 compared to an appreciation of 1.7% for the nine months ended September 30, 1997, which generated a foreign exchange loss of Ps. 1.579 million for the nine months ended September 30, 1998 compared to a foreign exchange gain of Ps. 61 million for the comparable period in 1997. Net financial expenses decreased 13.7% to Ps. 581 million in the nine months ended September 30, 1998 from Ps. 673 million in the comparable period in 1997 attributable to the net effect of a decline in interest expense of 12.6% to Ps. 805 million in the nine months ended September 30, 1998, from Ps. 921 million in the nine months ended September 30, 1997 reflecting the reduction in total debt and a decline in interest income of 9.7% in the first nine months of 1998 to Ps. 224 million from Ps. 248 million for the nine months ended September 30, 1997. The gain on monetary position amounted to Ps. 573 million in the nine months ended September 30, 1998, compared to Ps. 763 million in the nine months ended September 30, 1997.

FEMSA recorded consolidated other expenses of Ps. 273 million for the nine months ended September 30, 1998 compared with consolidated other expenses of Ps. 158 million for the comparable period last year. The increase in consolidated other expenses is primarily attributable to the expenses incurred in connection with the Exchange Offer, severance payments primarily from Coca-Cola FEMSA Buenos Aires and FEMSA Cerveza, and asset write-offs from Coca-Cola FEMSA.

FEMSA and its subsidiaries recognized consolidated income tax, tax on assets and employee profit sharing expense of Ps. 577 million in the nine months ended September 30, 1998, compared to Ps. 554 million of such expenses for the comparable period of 1997. The Company's average tax rate for the nine months ended September 30, 1998 was higher than the average tax rate for the comparable period last year as a result of: (i) a lower utilization of loss carryforwards and (ii) a reduction in income before income tax, tax on assets and employee profit sharing primarily due to the fact that an important part of the foreign exchange loss was generated at the different holding company levels and could not be offset against fiscal profits. There was however an increase in the tax benefit derived from the fiscal consolidation in the nine months ended September 30, 1998, which amounted to Ps. 234 million compared with a benefit of Ps. 212 million recorded in the nine months ended September 30, 1997. If the subsidiaries of the Company continue to generate profits and the Peso does not depreciate significantly, then the average tax rate of the Company is expected to decrease.

Consolidated net majority income declined by 60.2% to Ps. 404 million for the nine months ended September 30, 1998 as compared to Ps. 1.014 billion for the same period in 1997. Net majority income was additionally affected by the fact that the integral result of financing attributable to the debt borrowed at the holding company level is allocated only to majority interest.

Recent Transactions and Business Developments for the Nine Months Ended September 30, 1998

FEMSA

The total number of shares outstanding for FEMSA as of September 30,1998 is 5,341,340,450 shares. The weighted average number of shares outstanding calculated according to Mexican GAAP for the period ended September 30,1998 is 4,048,229,910 shares. This weighted average reflects the series of transactions undertaken by the Company during the first half of the year.

For purposes of calculating earnings per FEMSA UBD, the total number of units to be considered is 1,068,268,090 (total number of shares outstanding divided by 5). For purposes of calculating earnings per ADR, the total number of ADRs to be considered is 106,826,809 (total number of shares outstanding divided by 50).

On August 7, 1998, an offer (the “Tender Offer”) to acquire any and all of the 7,245,955 outstanding Series B Shares of Emprex not owned by FEMSA (including those Emprex shares represented by ADRs) expired. A total amount of 7,121,153 Series B Shares of Emprex were tendered, which resulted in FEMSA becoming the holder of 541,255,198 Series B Shares (99.98%) of the total 541,380,000 outstanding Series B Shares of Emprex.

In connection with the Tender Offer, FEMSA borrowed US$38.8 million to acquire the Emprex shares. The principal and interest on this loan are payable on August 10, 1999 and the contracted rate on such loan is 6.65%.

Effective July 1, 1998, management fees paid by FEMSA Cerveza to FEMSA and Labatt increased to 2.0% of total revenues of FEMSA Cerveza in order to more adequately compensate FEMSA and Labatt for the level of management services provided to FEMSA Cerveza. FEMSA expects that, given the current level of management fees charged to FEMSA Cerveza, FEMSA Empaques and FEMSA Comercio, such management fees ought to cover the operating expenses incurred by the holding company including all operating expenses of the corporate staff. For purposes of comparison in operating performance of FEMSA Cerveza, FEMSA Empaques and FEMSA Comercio, please refer to operating income before management fees.

During the month of September FEMSA purchased 339,731 five year European call spread options on FEMSA ADRs for a premium of US$1.5 million.

EMPREX

On May 27, 1998, Emprex repaid US$200 million of its US$350 million syndicated loan with proceeds from the closing of the exercise by Labatt of its option to acquire an additional 8% of FEMSA Cerveza for an aggregate price of US$221.6 million.

FEMSA Cerveza

At the end of 1997, FEMSA Cerveza initiated the roll-out process for the Sol brand in the United States, which is FEMSA Cerveza´s most important export market. Sol is currently present in San Diego and Los

Angeles, California and in Austin, Texas. The roll-out is still in its preliminary stages and FEMSA Cerveza expects the process to be a gradual roll-out at a national level in the following years.

Exports to the United States market for the nine months ended September 30, 1998 increased by 22.0%. Sales of XX Lager, Tecate, and Dos Equis Amber in this market increased by 33%, 27% and 25%, respectively, as compared with the nine months ended September 30, 1998

Export growth to the United States market continues to be offset by the decrease in shipments to South America in particular to Brazil. FEMSA Cerveza continues to export Sol to the Brazilian market due to the premium this brand commands; however, Sol has been growing from a very low base in this country.

In January 1998, an affiliate of Interbrew began distributing FEMSA Cerveza´s products in France, which is one of the core countries where FEMSA Cerveza has been focusing its efforts over the last two years.

In April 1998, FEMSA Cerveza´s Monterrey production facility increased its average monthly capacity by 100,000 hectoliters, to 550,000 hectoliters, through improvements and increases in filling capacity. The Tecate facility is expected to increase its average monthly capacity during the fourth quarter by 54,000 hectoliters, to 315,000 hectoliters through improvements in the production process and increases in filling capacity. As a result, FEMSA Cerveza expects to increase its average annual production capacity by 1,848 thousand hectoliters to 29,976 thousand hectoliters by the end of 1998.

Coca-Cola FEMSA

In 1997, Coca-Cola FEMSA began the construction of a new plant in Toluca, Mexico near the Valley of Mexico territory. The Toluca plant is designed to accommodate up to 12 bottling lines. Phase One of the bottling facility project originally contemplated the construction of three non-returnable PET lines with on-line PET blowing capacity. However, due to volume demand a fourth line was added to the Phase One plan. Toluca Phase One is expected to be fully operational late fourth quarter 1998. Additionally, on July 18, 1998, the La Viga returnable glass plant in the Valley of Mexico was closed pursuant to Coca-Cola FEMSA´s production efficiency programs. The installed capacity of the closed plant is expected to be absorbed by the Toluca plant.

On June 1, 1998, Coca-Cola FEMSA Buenos Aires, S.A. (“KOFBA”), a subsidiary of Coca-Cola FEMSA, entered into a franchise agreement covering the Pilar area, previously serviced by Refrescos del Norte, S.A. (RDN). The Pilar area, located north of Buenos Aires, covers the Zarate, Campana, Pilar, Lujan, and Baradero regions with an estimated population of one million inhabitants and annual per capita consumption of 200 (8oz. servings). Annual sales volume for the Pilar area is estimated at 8 million unit cases.

KOFBA has constructed a large distribution center in the Pilar area of Buenos Aires and purchased 46 trucks to better service the area. In addition, KOFBA has invested in bottles, cases, promotional material (including coolers) and information systems to bring the new operation up to Coca-Cola FEMSA standards. The investment for 1998 in order to begin operations in the Pilar area is approximately A$6.7 million.

Coca-Cola FEMSA raised prices in the Mexican Franchise during the second and third quarters of 1998. In the Valley of Mexico, weighted average prices increased approximately by 5.0% in April and by 9.5% in August. In the Southeast territory, weighted average prices increased approximately by 8.5% in May.

FEMSA Empaques

In June 1998, Sílices de Veracruz, S.A. de C.V. ("Sivesa"), the subsidiary of FEMSA Empaques engaged in glass operations, began selling glass bottles to domestic third party clients for the first time. In the past, all of Sivesa's output had been sold to FEMSA Cerveza and Coca-Cola FEMSA because of the historical capacity constraints at Sivesa and the demand for bottles by FEMSA Cerveza and Coca-Cola FEMSA. Sivesa increased the installed capacity of its facilities by approximately 360 million bottles per year at the end of 1996. Sivesa commenced operations seeking third party clients as a result of this additional capacity and the expectation of a decrease in the demand by Coca-Cola FEMSA for glass bottles upon the commencement of operations by the Toluca facility, which will be dedicated exclusively to the production of non-returnable PET presentations.

In March 1998, Labatt Brewing Company of Canada ("Labatt") awarded Fábricas Monterrey, S.A. de C.V. ("Famosa"), the subsidiary of FEMSA Empaques engaged in crown cap and closure operations, a contract to supply 100% of the crown cap requirements of Labatt in the Canadian market for a period of three years, starting in June 1998. FEMSA Empaques has been able to minimize the impact of reduced demand by its beverage affiliates for crown caps through sales to an increasing number of domestic and export third party clients. Other principal export customers for crown caps include Miller Brewing Company, Latrobe Brewing Company LLC and Coors Brewing Company.

In June 1998, FEMSA Empaques entered into a contract to supply 65% of the beverage can requirements of Industria Enlatadora de Querétaro S.A. ("IEQSA"), a cooperative in which Coca-Cola FEMSA holds a minority interest, for a period of five years starting in January 1999. Currently, FEMSA Empaques is supplying approximately 45% of the requirements of IEQSA.

In April 1998, FEMSA Empaques began supplying 100% of the can requirements for the Mexican operations of Cadbury Schweppes pursuant to a one-year supply agreement.

FEMSA is Mexico's largest fully integrated beverage company with exports to the United States, Canada and numerous countries in Latin America, Europe and the Far East. Founded in 1890 and with headquarters in Monterrey, Mexico, FEMSA operates through the following subsidiaries: FEMSA Cerveza, which produces and distributes name brands of beer such as Tecate, Carta Blanca, Superior, Sol, XX Lager, Dos Equis and Bohemia; Coca-Cola FEMSA, one of two "Anchor Bottlers" for The Coca-Cola Company in Latin America, which produces and distributes soft drinks including Coca-Cola, Coca-Cola Light, Sprite, Fanta and Quatro; FEMSA Empaques, which supports the beverage operations by producing beverage cans, glass bottles, crown caps, labels, cardboard and commercial refrigerators, and serves the open market throughout the Americans; FEMSA Comercio, which operates OXXO, Mexico's most extensive chain of convenience stores; and Desarrollo Comercial FEMSA, which operates OXXO Express, which operates convenience stores adjacent to gasoline stations.

All of the figures in this report have been restated in constant Pesos with purchasing power as of September 30, 1998; therefore, all the percentage increases are expressed in real terms. The restatement was determined as follows:

- For the results generated by operations in Mexico, using factors derived from the Mexican National Consumer Price Index.

- For the results generated by operations in Buenos Aires, Argentina

  – by converting the 1998 figures into Mexican Pesos, using the September 30, 1998 exchange rate of Ps. 10.1736 per Argentine Peso; and
  – for the 1997 figures, using factors derived from the Argentine National Consumer Price Index and converting such figures into Mexican Pesos, using the September 30, 1998 exchange rate of Ps. 10.1736 per Argentine Peso.

5 pages of tables to follow

FEMSA AND SUBSIDIARIES (Formerly VISA and Subsidiaries)

SELECTED FINANCIAL INFORMATION FOR FEMSA´S OPERATING SUBSIDIARIES

Millions of Pesos as of September 30, 1998

	For the third quarter of:		For the nine months ended September 30, of:	
	1998	**1997**	**1998**	**1997**
Net Sales				
FEMSA Cerveza	3,229.7	3,024.0	9,207.0	
Coca-Cola FEMSA		2,683.3	8,805.2	
FEMSA Empaques		1,299.8	4,339.1	
FEMSA Comercio		899.1	2,929.2	
FEMSA Consolidated		7,124.0	23,240.0	
Total Revenues				
	3,241.7			8,614.3
	3,061.3			7,863.5
	1,504.9			3,873.1
	1,034.5			2,470.2
	8,177.0			20,422.0
FEMSA Cerveza		1,512.5	4,695.2	
Coca-Cola FEMSA		1,220.5	3,931.1	
FEMSA Empaques		330.7	1,105.4	
FEMSA Comercio		221.3	714.3	
FEMSA Consolidated		3,280.0	10,603.0	
Operating Expenses				
	1,057.3			2,667.8
	958.7			2,544.8
	125.7			290.0
	219.0			560.9
	2,505.0			6,332.0
before Management Fees				
	615.8			1,374.0
	399.2			922.3
	259.5			698.5
	39.3			59.2
	1,254.0			2,841.0
FEMSA Cerveza		24.7	112.7	
FEMSA Empaques		13.1	43.6	
FEMSA Comercio		2.8	8.8	
Income from Operations				
	555.6			1,302.7
	399.2			922.3
	244.5			659.8
	36.2			51.8
	1,254.0			2,841.0

FEMSA AND SUBSIDIARIES (Formerly VISA and Subsidiaries)

SELECTED FINANCIAL INFORMATION FOR FEMSA´S OPERATING SUBSIDIARIES

Millions of Pesos as of September 30, 1998

	For the third quarter of:		For the nine months ended September 30, of:	
	1998	1997	1998	1997
% Gross Margin				
FEMSA Cerveza	51.0	50.0	51.0	46.8
Coca-Cola FEMSA	45.6	45.5	44.6	45.4
FEMSA Empaques	25.7	25.4	25.5	25.7
FEMSA Comercio	25.0	24.6	24.4	25.1
FEMSA Consolidated	45.9	46.0	45.6	45.1
% Operating Margin before Management Fees				
FEMSA Cerveza	19.0	19.0	17.3	16.0
Coca-Cola FEMSA	13.0	13.1	12.0	11.7
FEMSA Empaques	17.2	17.9	16.6	18.0
FEMSA Comercio	3.8	2.8	3.1	2.4
FEMSA Consolidated	15.3	15.7	14.2	13.9
% Operating Margin				
FEMSA Cerveza	17.1	18.2	16.1	15.1
Coca-Cola FEMSA	13.0	13.1	12.0	11.7
FEMSA Empaques	16.2	16.9	15.6	17.0
FEMSA Comercio	3.5	2.5	2.8	2.1
FEMSA Consolidated	15.3	15.7	14.2	13.9
Depreciation				
FEMSA Cerveza	163.4	140.9	486.3	441.0
Coca-Cola FEMSA	88.8	77.4	273.3	241.4
FEMSA Empaques	56.7	51.2	156.9	150.5
FEMSA Comercio	9.3	7.0	28.1	21.7
FEMSA Consolidated	330.4	279.4	985.2	861.7
Capital Expenditures				
FEMSA Cerveza	285.1	242.0	726.1	564.0
Coca-Cola FEMSA	209.2	390.5	788.2	645.5
FEMSA Empaques	114.3	140.8	366.3	464.8
FEMSA Comercio	20.8	14.6	47.8	50.6
FEMSA Consolidated	679.0	773.0	2,151.0	1,834.0

FEMSA AND SUBSIDIARIES (Formerly VISA and Subsidiaries)

Reconciliation FEMSA-Emprex Net Income

Millions of Pesos as of September 30, 1998

	For the third quarter of:			For the nine months ended		
	1998	1997		1998	1997	
Emprex:						
	80	788	(89.8)	549	1,563	(64.9)
Minority net income	141	225	(37.3)	365	482	(24.3)
Emprex net income	221	1,013	(78.2)	914	2,045	(55.3)
FEMSA Holding:						
Integral cost of financing	75	(39)	(292.3)	127	(64)	(298.4)
Other expenses (income)	12	46	(73.9)	124	32	287.5
Taxes	(105)	(48)	118.8	(234)	(212)	10.4
Net income of the Holding	17	39	(56.4)	(22)	235	(109.4)
Total Net Income	238	1,052	(77.4)	892	2,280	(60.9)
Majority net income	103	425	(75.8)	404	1,014	(60.2)
Minority net income	135	627	(78.5)	488	1,266	(61.5)

FEMSA Cerveza

Beer volumes for the third quarter and for the nine months ended September 30 of 1998 and 1997, were as follows:

(Thousand hectoliters)	For the third quarter of: 1998	1997	%Var	For the nine months ended September 30, of: 1998	1997	%Var
Domestic:						
Returnable	4,519	4,384	3.1	12,701	12,493	1.7
Non-returnable	152	180	(15.6)	497	554	(10.3)
Cans	916	826	10.9	2,677	2,491	7.5
Total Domestic	5,587	5,390	3.7	15,875	15,538	2.2
Exports	382	327	16.8	1,034	947	9.2
Total Volume	5,969	5,717	4.4	16,909	16,485	2.6
Exports sales (M. Pesos)	272	221	23.2	620	495	25.3

Coca-Cola FEMSA

Soft drink volumes for the third quarter and nine months ended September 30, of 1998 and 1997, were as follows:

Sales Volumes
(Millions of Unit Cases)

	For the third quarter of: 1998	1997	%Var	For the nine months ended September 30, of: 1998	1997	%Var
Valley of Mexico	75.1	67.9	10.6	225.2	186.7	20.6
Southeast	22.4	19.3	16.1	66.0	54.8	20.4
Tapachula	2.1	-		6.9	-	
Buenos Aires	26.9	24.7	8.9	79.3	73.1	8.5
New territory in Buenos Aires	1.8	-		2.0	-	
Total	128.3	111.9	14.7	379.4	314.6	20.6

Presentation Mix (%)
(Returnable/Non-Returnable Volume)

	For the third quarter of: 1998	1997	For the nine months ended September 30, of: 1998	1997
Valley of Mexico	48/52	56/44	50/50	57/43
Southeast	61/39	68/32	61/39	71/29
Buenos Aires	10/90	29/71	12/88	34/66

Product Mix (%)
(Colas/Flavors/Water)

	For the third quarter of: 1998	1997	For the nine months ended September 30, of: 1998	1997
Valley of Mexico	76/22/02	77/22/01	75/23/02	79/21/00
Southeast	71/23/06	72/24/04	71/23/06	73/25/02
Buenos Aires	80/19/01	78/20/02	77/22/01	76/22/02

FEMSA Empaque

Volumes for the third quarter and nine months ended September 30, of 1998 and 1997, were as follows:

(Millions of pieces)	For the third quarter of: 1998	1997	%Var	For the nine months ended September 30, of: 1998	1997	%Var
Cans	819	674	21.5	2,217	1,699	30.5
Crown caps	2,896	2,617	10.7	8,161	7,525	8.5
Glass Bottles	260	236	10.2	743	701	6.0
Cardboard boxes (Ths m2)	24,454	22,345	9.4	71,297	64,198	11.1
Refrigerators (Ths)	27	25	8.0	118	84	40.5
Labels	982	821	19.6	2,744	2,452	11.9
Exports						
Cans	61	86	(29.1)	220	160	37.5
Crown caps	922	613	50.4	2,394	1,755	36.4
Can lids	91	136	(33.1)	355	395	(10.1)
Exports sales (Millions of Pesos)	129.5	131.9	(1.8)	360.8	247.5	45.8

Percentage of sales revenue by client category:

	For the third quarter of: 1998	1997	Var. p.p.	For the nine months ended September 30, of: 1998	1997	Var. p.p.
Intercompany sales	52.0	57.5	(5.5)	53.3	58.3	(5.0)
FEMSA Cerveza	36.1	37.8	(1.7)	34.0	39.5	(5.5)
Coca-Cola FEMSA	15.9	19.7	(3.8)	19.3	18.8	0.5
Third-party sales	48.0	42.5	5.5	46.7	41.7	5.0
Domestic	40.8	33.2	7.6	38.4	34.0	4.4
Export	7.2	9.3	(2.1)	8.3	7.7	0.6

FEMSA Comercio

Operating highlights for the third quarter and nine months ended September 30, of 1998 and 1997 were as follows:

	Third quarter of: 1998	1997	Var	For the nine months ended September 30, of: 1998	1997	Var
Total stores				928	855	73.0
New stores				51	55	(4.0)
Closed stores				15	23	(8.0)
Comparative same stores:						
Average monthly sales (Ths. Ps.)	361.9	329.8	9.8%	343.1	305.1	12.4%
Average ticket per customer (Ps.)	14.8	15.0	-1.0%	14.9	15.0	-0.7%
Average monthly traffic per store (Ths.)	24.4	22.0	10.9%	23.0	20.3	13.2%