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**FEMSA ANNOUNCES RESULTS FOR THE FOURTH QUARTER AND
TWELVE MONTHS ENDED DECEMBER 31, 1997**

Monterrey, Mexico (Marzo 6, 1998) - Fomento Economico Mexicano, S.A. de C.V. ("FEMSA" or the "Company") (FEMSY:PORTAL), today announced its results for the fourth quarter and twelve months ended December 31, 1997. FEMSA is a holding Company, whose principal activities are grouped under the following five 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; and 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.

The following is a discussion of the results of operations of FEMSA for the twelve-month period ended December 31, 1997, compared to the twelve-month period ended December 31, 1996. Also included is summary information regarding FEMSA's results for the fourth quarter of 1997, compared to the fourth quarter of 1996.

All figures are expressed in constant Mexican pesos ("Ps.") with purchasing power as of December 31, 1997, and were prepared in accordance with Mexican Generally Accepted Accounting Principles ("Mexican GAAP").

Results of Operations for the Year Ended December 31, 1997 Compared to the Year Ended December 31, 1996.

FEMSA Consolidated - Income from Operations

Total Revenues/Net Sales

FEMSA'S consolidated total revenues increased by 10.5% to Ps. 24.579 billion in 1997 from Ps. 22.248 billion in 1996. Consolidated net sales increased by 9.9% to Ps. 24.352 billion in 1997, and represented 99.1% 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 9.2%, 10.1% and 11.9%, respectively, in 1997. FEMSA Cerveza's net sales increased by 6.0% and represented approximately 38.0% of the Company's 1997 net sales before elimination of intercompany transactions, compared to 38.9% in 1996. Sales growth was primarily

attributable to growth in sales volumes and, in the case of FEMSA Comercio, same store sales growth of 2.3% and an increase in the number of Oxxo stores.

Gross Profit

FEMSA's consolidated gross profit increased by 21.8% to Ps. 11.134 billion in 1997, representing a consolidated gross profit margin of 45.7% of consolidated net sales. FEMSA's consolidated gross profit margin in 1996 was 41.3%. The improvement in consolidated gross profit was attributable primarily to FEMSA Cerveza and FEMSA Empaques, although Coca-Cola FEMSA and FEMSA Comercio also recorded gross profit growth. In 1997, FEMSA Cerveza's gross profit increased by 26.9% to Ps. 4.914 billion as a result of a 7.4% decline in the cost of goods sold, causing FEMSA Cerveza's gross profit margin to expand from 39.8% in 1996 to 47.6% in 1997. FEMSA Empaques' gross profit increased by 28.2% to Ps. 1.227 billion due to a slower rate of growth of cost of sales relative to sales revenue. The expansion of the Company's consolidated gross profit margin is attributable to lower raw material prices in nominal terms, the appreciation of the Peso in real terms in 1997 compared to 1996 (which resulted in lower prices in real terms for imported raw materials), improved production processes which lowered conversion costs and the favorable impact of volume growth on the operating leverage of the Company's operating subsidiaries. International prices for certain commodities used by the Company in the production process, including grains, aluminum, paper and steel, were abnormally high in 1996.

Income from Operations

FEMSA's consolidated operating expenses increased by 9.0% in 1997 to Ps. 7.622 billion from Ps. 6.994 billion in 1996. 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 year ended December 31, 1997 increased by 62.0% to Ps. 3.552 billion from Ps. 2.193 billion in 1996. The Company's consolidated operating margin improved to 14.5% of consolidated total revenues in 1997 from 9.7% of consolidated total revenues in 1996. The expansion of the consolidated operating margin was primarily attributable to operating improvements at both FEMSA Cerveza and Coca-Cola FEMSA, who recorded operating margins of 14.8% and 13.0%, respectively, in 1997, compared to operating margins of 8.7% for both operating subsidiaries in 1996.

FEMSA Cerveza

FEMSA Cerveza's net sales increased by 6.0% in 1997 to Ps. 10.320 billion from Ps. 9.734 billion in 1996 and total revenues increased by 6.2% to Ps. 10.407 billion in 1997. FEMSA Cerveza's total shipments increased by 6.1% to 21.784 million hectoliters in 1997 from 20.542 million hectoliters in 1996. For the year ended December 31, 1997, domestic shipments grew by 5.3% to 20.549 million hectoliters and export shipments grew by 20.3% to 1.235 million hectoliters. Domestic shipments represented 94.3% of total shipments in 1997, compared to 95.0% in 1996. Notwithstanding the increase in export shipments, export revenues decreased by 3.6% to Ps. 717 million in 1997, from Ps. 745 million in 1996 as a result of the appreciation of the Peso in real terms in 1997. In U.S. Dollar terms, export revenues increased by 11.5% in 1997. Canned presentations represented 16.2% of domestic shipments in 1997, compared to 15.5% in 1996 and returnable presentations declined from 80.5% of domestic shipments in 1996 to 80.3% of domestic shipments in 1997. FEMSA Cerveza implemented a 22% nominal average price increase in March 1997 and offered slightly higher discounts to retailers in the second quarter of 1997 to moderate the market impact of the price increase.

FEMSA Cerveza's gross profit increased by 26.9% in 1997 to Ps. 4.914 billion from Ps. 3.872 billion in 1996. The increase in gross profit was the result of a 7.4% decline in the cost of goods sold. The decline in the cost of goods sold is primarily attributable to the appreciation of the Peso relative to domestic inflation (which favorably impacted the Peso prices of imported raw materials), lower raw material prices in nominal terms and a reduction in conversion costs attributable to

efficiencies achieved in the production process, particularly with respect to water and energy use, a reduction in product waste and an increase in labor productivity. Raw material costs had been abnormally high in 1996 due to increased international prices for certain commodities, including grains, aluminum, paper and steel. As a result of these cost improvements, FEMSA Cerveza's gross profit margin expanded by 7.8 percentage points to 47.6% of net sales in 1997 from 39.8% of net sales in 1996.

Operating expenses increased by 11.9% to Ps. 3.333 billion in the year ended December 31, 1997 from Ps. 2.979 billion in 1996. Selling expense increased by 18.8% in 1997 to Ps. 2.510 billion, or 24.1% of total revenues. The increase in selling expense reflects FEMSA Cerveza's continued investment in brand positioning and includes a reallocation of resources from "push" marketing tactics to "pull" marketing strategies. In 1997, these investments included increased advertising and media campaigns, new product launchings (including the introduction of Sol in a wide-mouth can presentation), sponsorships and investment in brand awareness for all of FEMSA Cerveza's principal brands. Administrative expense declined by 5.1% in 1997, from Ps. 867 million in 1996 to Ps. 823 million in 1997. The reduction in administrative expense is primarily attributable to lower real wages in 1997, ongoing re-engineering of administrative processes and the impact of headcount reductions in 1997 and in previous periods.

FEMSA Cerveza's participation in the results of Labatt USA, which is 30%-owned by FEMSA Cerveza, declined by 7.5% to Ps. 40 million in 1997 from Ps. 43 million in 1996. The decline in FEMSA Cerveza's participation in the results of Labatt USA when measured in Pesos was primarily attributable to the appreciation in real terms of the Peso in 1997 relative to 1996, as Labatt USA's results increased slightly in Dollar terms. FEMSA Cerveza paid a management fee of Ps. 84 million to FEMSA compared to a management fee of Ps. 80 million in 1996.

FEMSA Cerveza's income from operations (after participation in the results of affiliated companies and deduction of the management fee paid to FEMSA) increased by 79.8% to Ps. 1.537 billion in 1997, from Ps. 855 million in 1996. This represented an operating margin of 14.8% of total revenues, a 6.1 percentage point expansion over 1996's operating margin of 8.7%.

Coca-Cola FEMSA

Coca-Cola FEMSA recorded net sales of Ps. 9.204 billion in 1997, a 9.2% increase from net sales of Ps. 8.430 billion in 1996. Total revenues grew by 9.8% in 1997 to Ps. 9.292 billion from Ps. 8.461 billion in 1996. Other operating revenues increased to Ps. 88 million in 1997 from Ps. 32 million in 1996, primarily as the result of increased sales by Coca-Cola FEMSA Buenos Aires to other Argentine Coca-Cola bottlers in 1997. Net sales growth was driven by volume growth in the Mexican territories. Sales volume in the Mexican territories grew by 20.1% to 335.2 million unit cases in 1997 and represented 76.5% of Coca-Cola FEMSA's total sales volume. In 1997, sales volume in the Valley of Mexico increased by 21.5% to 259.6 million unit cases and sales volume in Southeast Mexico increased by 15.8% in 1997 to 75.6 million unit cases, including sales volume in the Tapachula territory. 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 1.6% to 103.1 million unit cases in 1997 from 101.5 million unit cases in 1996. These figures exclude volumes sold to other Argentine Coca-Cola bottlers of 2.7 million units cases and 1.2 million unit cases in 1997 and 1996, respectively. Volumes in the Buenos Aires territory were weaker than expected due to continued competition in the supermarket channel.

Sales growth 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 1997, approximately 61.3% of Coca-Cola FEMSA's sales volume was in presentations of one liter or larger, compared to 56.9% in 1996. In addition, average real prices for Coca-Cola FEMSA's products declined slightly in 1997. Average real prices for Coca-Cola FEMSA's products declined

by 3.8% in the Mexican territories in 1997 and average real prices in the Buenos Aires territory declined by 3.2% in 1997.

Coca-Cola FEMSA's cost of sales increased by 5.7% to Ps. 5.086 billion in 1997, compared to Ps. 4.811 billion in 1996. The slower rate of growth of cost of goods sold relative to sales revenue is primarily attributable to lower raw material and packaging costs and improved production economies resulting from higher production volumes. Packaging costs decreased due to lower prices charged by packaging suppliers, including FEMSA Empaques, as a result of lower material costs to these suppliers. Coca-Cola FEMSA recorded gross profit of Ps. 4.206 billion in 1997, a 15.2% increase over gross profit of Ps. 3.651 billion in 1996. As a result, Coca-Cola FEMSA's gross margin expanded to 45.7% of net sales in 1997 from 43.3% in 1996.

Operating expenses increased by 2.7% to Ps. 2.918 billion in the year ended December 31, 1997 from Ps. 2.841 billion in 1996. In 1997, selling expense was constant at Ps. 2.292 billion and represented 24.7% of total revenues in 1997 compared to 27.1% of total revenues in 1996. Coca-Cola FEMSA was able to contain selling expense in 1997 as a result of a decline in new product launchings and related promotional activities in the Mexican territories in 1997 compared to 1996. Administrative expense increased by 14.1% in 1997 to Ps. 625 million from Ps. 548 million in 1996. The increase in administrative expense is primarily attributable to higher depreciation and amortization expenses generated from investments in new administrative and information systems and higher expenses associated with external advisory services, all incurred in connection with Coca-Cola FEMSA Buenos Aires.

Income from operations after the amortization of goodwill grew by 64.4% to Ps. 1.209 billion in 1997, from Ps. 735 million in 1996, and Coca-Cola FEMSA's operating margin expanded from 8.7% in 1996 to 13.0% in 1997. The increase in income from operations was attributable to the many efforts which Coca-Cola FEMSA has made to improve productivity and contain selling expense. An additional factor which impacted the improvement in Coca-Cola FEMSA's income from operations was the significant improvement in the profitability of the Buenos Aires territory. In 1996, Coca-Cola FEMSA Buenos Aires recorded income from operations of Ps. 85 million and in 1997 this increased by 171.7% to Ps. 232 million. The Ps. 146 million net increase in Coca-Cola FEMSA Buenos Aires' income from operations represented approximately 31% of the overall increase in Coca-Cola FEMSA's income from operations.

FEMSA Empaques

FEMSA Empaques experienced net sales growth, prior to elimination of intercompany sales, of 10.1% in 1997, to Ps. 4.629 billion from Ps. 4.204 billion in 1996. Sales growth was attributable to volume growth in many of FEMSA Empaques' product categories, especially bottles, beverage cans, cardboard boxes and commercial refrigerators, which experienced volume growth of 57.1%, 18.0%, 30.5% and 63.1%, respectively. Export revenues increased by 42.9% to Ps. 366 million in 1997 from Ps. 256 million in 1996 and represented 7.9% of net sales for the year ended December 31, 1997, compared to 6.1% in 1996. In Dollar terms, export revenues increased by 58.5% in 1997. FEMSA Empaques' principal export products are crown caps and beverage can lids. Inter-company sales accounted for 58.1% of FEMSA Empaques' total revenues in 1997, compared to 57.5% in 1996. These sales are eliminated in the consolidation of FEMSA's financial statements. In 1997, sales to Coca-Cola FEMSA increased to 19.3% of FEMSA Empaques' sales from 12.0% in 1996, as a result of increased purchases of glass bottles, beverage cans and commercial refrigerators. The sales prices for FEMSA Empaques' principal products generally declined in 1997 due to the reduction in the prices of the principal raw materials used in the production of these products. These price reductions were partially passed on the FEMSA Empaques' customers (including both affiliates and third parties).

The cost of goods sold increased by 4.9% in 1997 to Ps. 3.438 billion from Ps. 3.277 billion in 1996. FEMSA Empaques' gross profit increased by 28.2% to Ps. 1.227 billion in 1997 from Ps. 958 million in 1996 and the gross margin expanded from 22.8% of net sales in 1996 to 26.5% of

net sales in 1997. The gross profit expansion was attributable to lower raw material prices, improved production efficiencies and operating leverage attributable to volume growth, which in turn was facilitated by capacity expansion in the glass, cardboard and refrigerator manufacturing facilities.

Operating expenses increased by 33.6% in 1997, to Ps. 369 million from Ps. 276 million in 1996. Selling expense increased by 37.4% to Ps. 244 million and represented 5.2% of FEMSA Empaques' total revenues in 1997. The increase in selling expense is primarily attributable to a growing sales structure to support FEMSA Empaques' increasing sales to domestic and export third party customers and greater freight absorption. Administrative expense increased by 26.6% to Ps. 125 million in 1997, and represented 2.7% of total revenues. This increase was primarily attributable to expenses related to the incorporation and commencement of operations of Repare (FEMSA Empaques' Argentine subsidiary that services commercial refrigeration clients) and to the creation and staffing of a new planning and commercial area which will support FEMSA Empaques' project development efforts and third party market penetration. In addition, FEMSA Empaques paid a management fee of Ps. 47 million to FEMSA in 1997, compared to a management fee of Ps. 25 million in 1996. Notwithstanding the increase in operating expenses and management fees, income from operations grew by 23.7% in 1997 to Ps. 812 million from Ps. 656 million in 1996, reflecting operating margins of 17.4% and 15.5% of total revenues, respectively, in the years ended December 31, 1997 and 1996.

FEMSA Comercio

FEMSA Comercio's total revenues increased by 11.9% in 1997 to Ps. 2.973 billion from Ps. 2.656 billion in 1996. Sales growth was primarily attributable to an 8.4% increase in the total number of stores, which increased from 823 at December 31, 1996 to 892 at December 31, 1997. In 1997, average total store sales increased by 4.3% and average same store sales increased by 2.4%. In 1997, average monthly traffic per store increased by 4.6% to 20,860 customers from 19,940 customers in 1996 and the average sale per customer decreased by 1.5% to Ps. 13.1 from Ps. 13.3 in 1996.

The cost of goods sold increased by 12.8% in 1997 to Ps. 2.232 billion from Ps. 1.979 billion in 1996 and FEMSA Comercio recorded gross profit of Ps. 741 million, a 9.4% gain from gross profit of Ps. 677 million in 1996. FEMSA Comercio's gross margin declined slightly to 24.9% in 1997 from 25.5% in 1996. Management attributes the gross margin compression to FEMSA Comercio's pricing strategy, which is to price high 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.

Operating expenses increased by 6.8% to Ps. 659 million in 1997 from Ps. 617 million in 1996, reflecting the increase in total stores. Selling expense increased by 8.2% to Ps. 582 million and represented 19.6% of revenues in 1997. This increase was primarily attributable to higher promotional and advertising expense associated with increased geographical coverage and greater promotional activities in existing territories. Average selling expense per store has declined. Administrative expense declined by 2.6% to Ps. 77 million in 1997 from Ps. 79 million in 1996, reflecting continued head count reductions in supervisory and administrative areas which were possible due to the prior investment in information systems. In 1997, FEMSA Comercio paid a Ps. 9 million management fee to FEMSA compared with a Ps. 8 million management fee in 1996. FEMSA Comercio recorded income from operations of Ps. 73 million in 1997, an increase of 40.1% relative to income from operations of Ps. 52 million in 1996. FEMSA Comercio's operating margin increased to 2.5% in 1997, from 2.0% in 1996.

Amoxxo

Amoxxo was constituted in August 1995 and the first Oxxo Express Service Center was opened in August 1996. As of December 31, 1997, there were 24 Oxxo Express Service Centers in

operation. Between August 1995 and December 31, 1997, the investment in Amoxxo totaled approximately Ps. 400 million in nominal terms. Desarrollo Comercial FEMSA, as a joint venture partner in Amoxxo, contributed, in nominal terms, approximately Ps. 200 million of this investment. From inception to December 31, 1997, Amoxxo had recorded total revenues of Ps. 48 million and an operating loss of Ps. 38 million.

FEMSA Consolidated - Net Income

Integral Result of Financing

In the year ended December 31, 1997, FEMSA recorded a consolidated integral result of financing expense of Ps. 298 million, compared to an integral result of financing income of Ps. 493 million in 1996. Consolidated interest expense decreased by 5.0% to Ps. 997 million in 1997 from Ps. 1.049 billion in 1996, primarily as a result of lower interest rates applicable to the Company's consolidated debt in 1997. The effective interest rate on the Company's consolidated debt was lower due to lower base rates and lower interest spreads on the Company's consolidated debt. The Company experienced a significant reduction in the gain on monetary position, to Ps. 659 million in the year ended December 31, 1997 from Ps. 1.465 billion in 1996. The reduction in the consolidated monetary gain was attributable to a reduction in the Mexican inflation rate. Accumulated inflation through December 31 was 15.7% in 1997, compared to 27.7% in 1996. The consolidated integral result of financing also reflected a consolidated exchange loss of Ps. 222 million in 1997 compared to a consolidated foreign exchange loss of Ps. 254 million in 1996.

Other Income (Expenses)

In 1997, FEMSA recorded consolidated other expenses of Ps. 198 million compared to Ps. 51 million of consolidated other income in 1996. The principal reasons for this change include higher severance payments by Coca-Cola FEMSA, Coca-Cola FEMSA Buenos Aires and FEMSA Cerveza in 1997, lower bottler investment incentive payments to Coca-Cola FEMSA from The Coca-Cola Company in 1997 and a greater write-down of assets in 1997, principally by Coca-Cola FEMSA.

Income Tax, Tax on Assets and Employee Profit Sharing

FEMSA's consolidated income before income tax, tax on assets and employee profit sharing increased by 11.7% to Ps. 3.056 billion in 1997 from Ps. 2.737 billion in 1996, primarily as a result of the increase in consolidated income from operations, the positive impact of which was offset in part by the expense generated by the consolidated integral result of financing. FEMSA recognized consolidated income tax, tax on assets and employee profit sharing expense of Ps. 837 million in the year ended December 31, 1997, compared to consolidated income tax, tax on assets and employee profit sharing tax expense of Ps. 506 million in 1996. The Company's effective tax rate in 1997 was 27.4%, compared to an effective tax rate of 18.5% in 1996, primarily because FEMSA was able to achieve higher utilization of tax loss carryforwards and recoverable tax on assets in 1996.

Net Income

Largely as a result of the expense generated by the consolidated integral result of financing and the higher effective tax rate, FEMSA's consolidated net income for the year ended December 31, 1997 declined by 0.5% to Ps. 2.219 billion from Ps. 2.231 billion in 1996. Consolidated net majority income declined by 7.1% to Ps. 1.675 billion in 1997. The relatively greater decline in consolidated net majority income was attributable to the strong performances of both FEMSA Cerveza and Coca-Cola FEMSA, which are 22% and 49% owned by minority shareholders, respectively. Net majority income was also affected by the fact that FEMSA had direct Dollar-denominated debt, and the integral result of financing attributable to this debt is allocated only to majority interests.

Results of Operations for the Three Months Ended December 31, 1997 Compared to the Three Months Ended December 31, 1996.

Total Revenues/Net Sales

FEMSA's consolidated total revenues for the quarter ended December 31, 1997 increased by 13.7% to Ps. 6.757 billion, from Ps. 5.942 billion in 1996. Consolidated net sales grew by 13.0% to Ps. 6.681 billion in 1997 from Ps. 5.913 billion in 1996. The increase in consolidated total revenues was attributable to sales growth recorded by each of the Company's principal operating subsidiaries. Sales growth was particularly strong for FEMSA Cerveza, FEMSA Empaques and Oxxo, whose total revenues increased by 11.0%, 18.2% and 13.8% respectively. Coca-Cola FEMSA recorded sales growth of 6.6% for the quarter ended December 31, 1997.

Gross Profit

FEMSA's consolidated gross profit for the fourth quarter of 1997 increased by 23.6% to Ps. 3.153 billion from Ps. 2.550 billion as a result of a slower rate of growth of the cost of goods sold relative to sales revenue. Consolidated gross margin for the quarter expanded to 47.2% of net sales in 1997 from 43.1% of net sales for the comparable period in 1996.

Income from Operations

Operating expenses increased by 17.3% to Ps. 2.112 billion in the fourth quarter of 1997 from Ps. 1.801 billion for the comparable period in 1996. The increase in operating expenses for the quarter was attributable mainly to FEMSA Cerveza and FEMSA Empaques, whose operating expenses increased by 33.5% and 53.2%, respectively. Notwithstanding the increase in operating expenses, income from operations (after participation in the results of affiliated companies) for the quarter ended December 31, 1997 increased by 38.3% to Ps. 1.047 billion from Ps. 757 million for the comparable period in 1996. Operating margin expanded by 2.8 percentage points from 12.7 % of total revenues in 1996 to 15.5% of total revenues in 1997.

FEMSA Cerveza

FEMSA Cerveza total revenues for the fourth quarter ended December 31, 1997 increased by 11.0% to Ps. 2.802 from Ps. 2.525 in 1996. FEMSA Cerveza's total shipments increased by 8.8% from 4.87 million hectoliters in 1996 to 5.3 million hectoliters in 1997. Domestic shipments increased by 8.4% to 5.011 million hectoliters and export shipments increased by 16.6% to 288 thousand hectoliters in 1997. Sales growth outpaced volume growth reflecting the slight recovery of the real price of beer in the domestic market, and an increase of 11.5% in canned presentations which are priced at a premium relative to the 355 ml. returnable presentation. FEMSA Cerveza's gross profit for the fourth quarter ended December 31, 1997 grew by 36.8% to Ps. 1.379 billion from 1.009 billion in 1996, as a result of a decline in the cost of goods sold of 6.2% for the quarter.

Operating expenses for the fourth quarter grew by 33.5% to Ps. 977.6 million, representing 35% of total revenues. Selling expense in the fourth quarter of 1997 increased by approximately 25% over the accumulated average for the first nine-months of 1997, while it decreased by 17% in the fourth quarter 1996 over the accumulated average for the first nine-months of 1996, therefore magnifying the increase observed during the fourth quarter of 1997. Selling expense in the fourth quarter of 1997 increased by 14.7% relative to the third quarter of such year whereas selling expense declined by 12.8% in the fourth quarter of 1996 relative to the third quarter of such year. The increase in sales expense in the fourth quarter of 1997 was attributable to FEMSA's Cerveza's decision to increase the resources invested in the market in the form of higher promotions to retailers, support of the recent launching of new products (Sol in wide-mouth can presentation), and to the marketing campaigns of Sol, Carta Blanca and Superior.

FEMSA Cerveza's income from operations for the quarter ended December 31, 1997 after participation in the results of Labatt USA and deduction of management fee paid to FEMSA, increased by 46.0% to Ps. 387 million from Ps. 265. million. The operating margin for the quarter expanded 3.3 percentage points to 13.8% compared to a 10.5% in the comparable period last year. The decrease in the rate of margin expansion relative to the previous quarters in 1997 is attributable to lower absolute volumes in the fourth quarter of 1997 compared with the second and the third quarter of the same year, and an increase in the selling expense during the fourth quarter as explained above.

Coca-Cola FEMSA

Coca-Cola FEMSA's total revenues for the quarter ended December 31, 1997 increased by 6.6% to Ps. 2.566 billion from Ps. 2.407 billion in 1996. Other operating revenues in 1997 increased by 116.9% from Ps. 11.8 million to Ps. 25.6 million reflecting the growth of Coca-Cola FEMSA Buenos Aires sales to other Coca-Cola bottlers in Argentina. Net sales for the fourth quarter of 1997 increased by 6.1% to Ps. 2.541 billion from Ps. 2.395 billion in 1996. Sales growth in the fourth quarter was primarily driven by volume growth in the Mexican territories. Volumes in the Valley of Mexico increased by 26.6% to 72.8 million unit cases and by 26.1% in the Southeast to 20.8 million unit cases, including sales volume for the Tapachula territory of 1.6 million unit cases. Prices in Mexico during the fourth quarter decreased by 3.6% from Ps. 19.17 per unit case in 1996 to Ps. 18.48 per unit case in 1997. In the Buenos Aires territory, volume increased by 1.4% for the fourth quarter of 1997 to 30 million unit cases from 29.6 million unit cases in 1996. These figures exclude volume sold to other Coca-Cola bottlers in Argentina of 0.8 million unit cases in the fourth quarter of 1997 and 0.7 million unit cases in the fourth quarter of 1996. Prices in Buenos Aires decreased 18.0% from APs. 4.10 per unit case in 1996 to APs. 3.36 per unit case in 1997 in line with the strategy to maintain competitive prices.

Coca-Cola FEMSA's cost of goods sold for quarter ended December 31, 1997 increased by 7.6% to Ps. 1.391 billion in 1997 from 1.292 billion in 1996. The increase in the cost of goods sold is mainly attributable to higher packaging costs incurred in connection with the increase in the sales volume of non-returnable presentations relative to returnable presentations. As a result of higher cost of goods sold and a lag in the real per unit case price, gross margin decreased slightly to 46.3% of net sales in 1997 from 46.5% in 1996. Gross profit increased by 5.4% to Ps. 1.175 billion in 1997 from 1.114 billion in 1996.

Operating expenses declined by 1.2% for the quarter ended December 31, 1997 to Ps. 768 million from Ps. 777 million in 1996, representing 29.0% of total revenues in 1997 compared to 31.5% of total revenues in 1996. As a result, income from operations after goodwill amortization for the fourth quarter of 1997 grew by 20.5% to Ps. 407 million from Ps. 338 million in 1996 and operating margin expanded to 15.9% of total revenues for the quarter ended December 31, 1997 from 14.0% of total revenues for the quarter ended December 31, 1996.

FEMSA Empaques

FEMSA Empaques' total revenues for the fourth quarter ended December 31, 1997 increased by 18.2% to Ps. 1.248 billion compared to Ps. 1.055 billion in 1996. Sales growth was attributable to volume growth in all of FEMSA Empaques' product categories. Export revenues increased by 25.8% to Ps. 106 million in the fourth quarter of 1997 from Ps. 84 million for the comparable period in 1996. In U.S. Dollars, export revenues increased by 81.3% from 9.6 million in the fourth quarter of 1996 to 17.4 million in the fourth quarter of 1997. Intercompany sales accounted for 56.9% of FEMSA Empaques' total consolidated revenues for the fourth quarter ended December 31, 1997.

FEMSA Empaques' gross profit for the fourth quarter ended December 31, 1997 increased by 47.6% to Ps. 354.6 million from Ps. 240.3 million for the comparable period last year. Gross

margin expansion is mainly attributable to lower raw material prices and efficiencies generated in the production process as a result of high volume growth in all product categories.

Operating expense for the fourth quarter of 1997 increased by 53.2% to Ps. 113.2 million representing 9.1% of total consolidated revenues, compared to Ps. 73.9 million for the comparable period last year. The increase in operating expenses is attributable to increase in freight cost (absorbed by FEMSA Empaques for both affiliates and third party clients) as a result of temporary reallocation of production orders to certain plants from other plants which were undergoing improvements and modifications to their production lines.

Notwithstanding the increase in operating expenses and management fees, FEMSA Empaques' income from operations for the fourth quarter ended December 31, 1997 increased by 43.0% to Ps. 228.9 million from Ps. 160.1 million in the fourth quarter of 1996. Operating margins for the fourth quarter ended December 31, 1997 and 1996 were 18.3% and 15.2% respectively.

FEMSA Comercio

FEMSA Comercio's total revenues for the fourth quarter ended December 31, 1997 increased 13.8% to Ps. 782 million from Ps. 687 million in 1996. Sales growth for the fourth quarter was attributable to an increase in the total number of stores and an increase in the average same store sales of 5.0%. Average monthly traffic per store for comparable same stores increased by 5.7%, and average ticket per customer remained constant at Ps. 12.6 per customer for the fourth quarter of 1996 and 1997.

Cost of goods sold increased by 13.7% for the fourth quarter of 1997 to Ps. 588.6 million and gross margin remained constant at 24.7% of net sales. Operating expenses for the quarter amounted to Ps. 163 million, 4.2% higher than the comparable period last year, as a result of sales growth. Nevertheless, as a percentage of total revenues, operating expenses declined by 2.0 percentage points to 20.8% in the fourth quarter of 1997.

Income from operations for the quarter ended December 31, 1997 increased by 155.5% to Ps. 28.1 million from Ps. 11.0 million in 1996, mainly as a result of sales growth and the slower rate of growth of operating expenses relative to sales. The operating margin for the fourth quarter of 1997 expanded by 2.0 percentage points to 3.6% from 1.6% for the comparable period last year.

FEMSA Consolidated -Net Income

Integral Result of Financing

FEMSA recorded a consolidated integral result of financing expense for the quarter ended December 31, 1997 of Ps. 374 million compared to Ps. 156 million for the quarter ended December 31, 1996. The increase in the consolidated integral result of financing is mainly attributable to a decrease in the gain for monetary position of 70.6% from Ps. 361 million in the fourth quarter 1996 to Ps. 106 million in the fourth quarter of 1997. The reduction in monetary gain was attributable to a reduction in the accumulated Mexican inflation rate from 6.1% in the fourth quarter 1996 to 3.4% in the fourth quarter of 1997. Interest expense increased by 5.4% from Ps. 261 million in 1996 to Ps. 275 million in the fourth quarter of 1997. Foreign exchange loss decreased by 13.7% from Ps. 306 million in the fourth quarter 1996 to Ps. 264 million in the fourth quarter of 1997. The decrease in foreign exchange loss is attributable to a lower rate of devaluation of the Peso against the dollar of 3.6% for the fourth quarter of 1997 compared to 4.6% for the fourth quarter 1996.

Other Income (Expenses)

Other expenses incurred in the fourth quarter of 1997 amounted to Ps. 89 million compared with other income of Ps. 31 million recorded in the fourth quarter 1996. The increase in other expenses is attributable to severance payments in connection with reduction of administrative personnel in both FEMSA Cerveza and Coca-Cola FEMSA.

Income Tax, Tax on Assets and Employee Profit Sharing

As a result of the increase in the consolidated integral result of financing expense and an increase in other expenses, income before taxes for the quarter ended December 31, 1997 decreased by 7.6% from Ps. 632 million in 1996 to Ps. 584 million in 1997. FEMSA recognized consolidated income tax, tax on assets and employee profit sharing expense for the quarter ended December 31, 1997 of Ps. 161 million compared to Ps. 86 million for the comparable period in 1996. The Company's effective tax rate in the fourth quarter of 1997 was 27.6%, compared to an effective tax rate of 13.6% for the comparable period in 1996.

Net Income

FEMSA recorded a consolidated net income for the quarter ended December 31, 1997 of Ps. 423 million compared to Ps. 546 million in 1996. Net majority income declined by 12.9% to Ps. 297 from Ps. 341 million in 1996.

FEMSA is the largest fully integrated beverage company in Mexico, with exports to numerous countries worldwide, including the United States, Latin America and Europe. Founded in 1890, FEMSA produces and distributes, through its subsidiary FEMSA Cerveza, 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 Latin America, produces and distributes soft drinks including Coca-Cola, Coke Light, Sprite, Fanta and Quatro. FEMSA Empaques produces beverage and food cans, glass bottles, crown caps, labels, cardboard and commercial refrigerators. FEMSA Comercio operates OXXO, México's largest chain of convenience stores.

All of the figures in this report have been restated in pesos as of December 31, 1997; therefore, all the percentage increases are expressed in real terms. The restatement was determined as follows:

- 1. For the results generated by Mexico's operations, using factors derived from the Mexican National Consumer Price Index.*
- 2. For comparison purposes in the Coca-Cola FEMSA consolidated statements, 1996 figures corresponding to KOFBA were re-expressed using Argentine inflation and converted into Mexican pesos, using the December 31, 1997 exchange rate (Ps. 8.05 per A\$).*

-5 pages of tables to follow-



BALANCE SHEET

As of December 31, of:

Millions of pesos expressed in currency with purchasing power as of December 31, 1997

ASSETS	1997	1996	LIABILITIES AND STOCKHOLDERS' EQUITY	1997	1996
Cash and cash			Bank loans	1,315	571
equivalents	1,198	1,423	Current maturities of		
Accounts receivable	2,076	1,735	long term debt	283	3,208
Inventories	2,680	2,711	Interest payable	132	253
Prepaid expenses	344	267	Suppliers	1,850	1,644
Taxes recoverable	31	50	Accounts payable and		
Total Current Assets	6,329	6,186	other liabilities	1,121	1,003
Total Investments in			Total Current Liabilities	4,701	6,679
shares and Other	387	406	Bank loans	7,773	5,174
Property, plant and			Labor liabilities	684	760
equipment, net	19,092	18,887	Other liabilities	133	200
Other assets, net	3,186	2,343	Total Liabilities	13,291	12,813
			Total Minority Interest	4,635	4,652
			Total Majority Interest	11,068	10,357
			Total Stockholders'		
			Equity	15,703	15,009
TOTAL ASSETS	28,994	27,822	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	28,994	27,822

FINANCIAL RATIOS	1997	1996
Liquidity	1.35	0.93
Debt service coverage (1)	5.72	4.05
Leverage	0.85	0.85
Capitalization	0.39	0.28

(1) Income from operations + Non-cash charges + Interest Income / Interest Expense



INCOME STATEMENT

For the fourth quarter ended December 31, of:

Millions of pesos expressed in currency with purchasing power as of December 31, 1997

	México			México + Buenos Aires		
	1997	1996	% var	1997	1996	% var
Total revenues	5,948	4,951	20	6,757	5,942	14
Cost of sales	3,142	2,840	11	3,604	3,392	6
Gross profit	2,806	2,111	33	3,153	2,550	24
Operating expenses	1,852	1,461	27	2,112	1,801	17
Participation in affiliated companies	6	8	(25)	6	8	(25)
Income from operations	960	658	46	1,047	757	38
Interest expenses				275	261	5
Interest income				59	50	18
Financial expenses, net				216	211	2
Foreign exchange (gain) loss				264	306	(14)
Gain on monetary position				106	361	(71)
Integral result of financing				374	156	140
Other income (expenses), net				(89)	31	-
Income for the period before taxes				584	632	(8)
Income tax, tax on assets and employee profit sharing				161	86	87
Consolidated Net Income for the period				423	546	(23)
Net majority Income				297	341	(13)
Net minority Income				126	205	(39)
Net majority income per share				0.55	0.63	(13)
Depreciation				272	200	36



INCOME STATEMENT

For the year ended December 31, of:

Millions of pesos expressed in currency with purchasing power as of December 31, 1997

	México			México + Buenos Aires		
	1997	1996	% var	1997	1996	% var
Total revenues	21,455	19,117	12	24,579	22,248	10
Cost of sales	11,594	11,200	4	13,445	13,104	3
Gross profit	9,861	7,917	25	11,134	9,144	22
Operating expenses	6,522	5,801	12	7,622	6,994	9
Participation in affiliated companies	40	43	(7)	40	43	(7)
Income from operations	3,379	2,159	57	3,552	2,193	62
Interest expenses				997	1,049	(5)
Interest income				262	331	(21)
Financial expenses, net				735	718	2
Foreign exchange (gain) loss				222	254	(13)
Gain on monetary position				659	1,465	(55)
Integral result of financing				298	(493)	-
Other income (expenses), net				(198)	51	-
Income for the year before taxes				3,056	2,737	12
Income tax, tax on assets and employee profit sharing				837	506	65
Consolidated Net Income for the year				2,219	2,231	(1)
Net majority Income				1,675	1,802	(7)
Net minority Income				544	429	27
Net majority income per share				3.09	3.33	(7)
Depreciation				1,026	978	5



SELECTED FINANCIAL INFORMATION FOR FEMSA'S OPERATING SUBSIDIARIES

Millions of pesos expressed in currency with purchasing power as of December 31, 1997

Millions of Pesos	Three Months ended December 31		Year ended December 31	
	1997	1996	1997	1996
Net Sales				
FEMSA Cerveza	2,772	2,507	10,320	9,734
Coca-Cola FEMSA	2,541	2,395	9,204	8,430
FEMSA Empaques	1,240	1,045	4,629	4,204
FEMSA Comercio	782	687	2,973	2,656
Total Revenues				
FEMSA Cerveza	2,802	2,525	10,407	9,801
Coca-Cola FEMSA	2,566	2,407	9,292	8,461
FEMSA Empaques	1,248	1,055	4,665	4,234
FEMSA Comercio	782	687	2,973	2,656
Cost of Goods Sold				
FEMSA Cerveza	1,422	1,517	5,493	5,929
Coca-Cola FEMSA	1,391	1,292	5,086	4,811
FEMSA Empaques	893	815	3,438	3,277
FEMSA Comercio	589	518	2,232	1,979
Gross Profit				
FEMSA Cerveza	1,379	1,009	4,914	3,872
Coca-Cola FEMSA	1,175	1,114	4,206	3,651
FEMSA Empaques	355	240	1,227	958
FEMSA Comercio	193	170	741	677
Operating Expenses				
FEMSA Cerveza	978	732	3,333	2,979
Coca-Cola FEMSA ¹	768	777	2,996	2,915
FEMSA Empaques	113	74	369	276
FEMSA Comercio	163	157	659	617
Management Fees				
FEMSA Cerveza	21	19	84	80
Coca-Cola FEMSA				
FEMSA Empaques	13	6	47	25
FEMSA Comercio	2	2	9	8
Income from Operations ²				
FEMSA Cerveza	387	265	1,537	855
Coca-Cola FEMSA	407	338	1,209	735
FEMSA Empaques	229	160	812	656
FEMSA Comercio	28	11	73	52
Depreciation				
FEMSA Cerveza	149	100	537	543
Coca-Cola FEMSA	70	59	276	244
FEMSA Empaques	44	34	177	159
FEMSA Comercio	6	6	25	24
Capital Expenditures				
FEMSA Cerveza			1,132	680
Coca-Cola FEMSA			1,080	1,196
FEMSA Empaques			477	717
FEMSA Comercio			122	106
Percentages				
Gross Margin ³				
FEMSA Cerveza	49.7%	40.2%	47.6%	39.8%
Coca-Cola FEMSA	46.2%	46.5%	45.7%	43.3%
FEMSA Empaques	28.6%	23.0%	26.5%	22.8%
FEMSA Comercio	24.7%	24.7%	24.9%	25.5%
Operating Margin ⁴				
FEMSA Cerveza	13.8%	10.5%	14.8%	8.7%
Coca-Cola FEMSA	15.9%	14.0%	13.0%	8.7%
FEMSA Empaques	18.3%	15.2%	17.4%	15.5%
FEMSA Comercio	3.6%	1.6%	2.5%	2.0%



OTHER INFORMATION

¹ Includes goodwill amortization.

² After management fee paid to FEMSA. Such management fee are eliminated in consolidation.

³ Gross margin calculated with reference to net sales.

⁴ Operating margin calculated with reference to total revenues.

FEMSA Cerveza

Beer volumes for the fourth quarter and twelve months ended December 31, 1997 were as follows:
(Thousands of hectoliters)

	Three Months Ended December 31			Twelve Months Ended December 31		
	1997	1996	% Var.	1997	1996	% Var.
Domestic						
Returnable	4,001	3,706	8.0	16,494	15,716	5.0
Non-returnable	165	159	3.8	719	773	(7.0)
Cans	845	758	11.5	3,336	3,026	10.2
Total Domestic	5,011	4,623	8.4	20,549	19,515	5.3
Exports	288	247	16.6	1,235	1,027	20.3
Total Volume	5,299	4,870	8.8	21,784	20,542	6.1
Export sales (M. Pesos)	145	233	(37.8)	717	745	(8.6)

Coca-Cola FEMSA

Soft drink volumes for the fourth quarter and twelve months ended December 31, 1997 were as follows:

Sales Volumes
(Millions of Unit Cases)

	Three Months Ended December 31			Twelve Months Ended December 31		
	1997	1996	%	1997	1996	%
Valley of México	72.8	57.5	26.6	259.6	213.7	21.5
Southeast	19.2	16.5	16.4	74.0	65.3	13.3
Tapachula	1.6	-	-	1.6	-	-
Buenos Aires	30.0	29.6	1.4	103.1	101.5	1.6
Total	123.6	103.6	19.3	438.3	380.5	15.2

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	1997	1996	1997	1996
Valley of México	53/47	60/40	56/44	62/38
Southeast	65/35	79/21	69/31	84/16
Buenos Aires	21/79	42/58	30/70	44/56
Total	47/53	58/42	63/37	61/39

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	1997	1996	1997	1996
Valley of México	77/22/01	82/18	78/21/01	81/19
Southeast	74/23/03	76/24	73/24/03	75/25
Buenos Aires	78/21/01	74/26	77/21/02	74/26
Total	76/22/02	78/22	77/22/01	78/22

FEMSA

FEMSA Empaques

Volumes for the fourth quarter and twelve months ended December 31, 1997 were as follows:

<i>Millions of pieces</i>	Three Months Ended December 31			Twelve Months Ended December 31		
	1997	1996	% Var.	1997	1996	% Var.
Domestic						
Cans	677	534	26.8	2,376	2,014	18.0
Crown caps	2,963	2,619	13.1	10,488	10,570	(0.8)
Glass bottles	248	151	64.2	949	604	57.1
Cardboard box. (Th. m ²)	23,877	19,372	23.3	88,075	67,503	30.5
Refrigerators (Th.)	22	12	83.3	106	65	63.1
Labels	890	787	13.1	3,342	3,367	(0.7)
Exports						
Cans	83	20	315.0	243	81	200.0
Crown caps	546	467	16.9	2,301	2,004	14.8
Can lids	159	100	59.0	554	280	97.9
Export sales (Millions of Ps.)	106	84	25.8	367	256	42.9

Percentage of sales revenue by client category:

	Three Months Ended December 31			Twelve Months Ended December 31		
	1997	1996	Var. p.p.	1997	1996	Var. p.p.
Inter-company sales	56.9	57.6	(0.7)	58.1	57.5	0.6
FEMSA Cerveza	36.9	45.3	(8.4)	38.8	45.5	(6.7)
Coca-Cola FEMSA	20.0	12.3	7.7	19.3	12.0	7.3
Third-party sales	43.1	42.4	0.7	41.9	42.5	(0.6)
Third party domestic	34.7	36.4	(1.7)	34.1	36.4	(2.3)
Third party export	8.4	6.0	2.4	7.9	6.1	1.8

FEMSA Comercio

Operating highlights for the fourth quarter and twelve months ended December 31, 1997 were as follows:

	Three Months Ended December 31			Twelve Months Ended December 31		
	1997	1996	Var.	1997	1996	Var.
Total stores	37	9	28	892	823	69
New stores	30	23	7	95	73	22
Closed stores	-	1	(1)	26	17	9
Comparative same stores:						
Average monthly sales (Thds. Ps.)	279.3	266.0	5.0%	272.3	266.0	2.4%
Average ticket per customer (Ps.)	12.6	12.6	—	13.1	13.3	(1.5)%
Average monthly traffic per store (Thds.)	22.3	21.1	5.7%	20.9	19.9	4.6%
Average total monthly traffic per store (Thds.)				20.3	19.1	6.3%