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FEMSA REPORTS FOURTH QUARTER 1999 AND TWELVE MONTHS ENDED DECEMBER 31, 1999 RESULTS

CONSOLIDATED OPERATING MARGIN FOR THE FOURTH QUARTER OF 1999 IMPROVES BY 3.7 PERCENTAGE POINTS TO REACH 17.3%

Monterrey, Mexico (February 3, 2000) — Fomento Económico Mexicano S.A. ("FEMSA" or the "Company") (NYSE: FMX), Mexico's largest and one of Latin America's leading beverage companies, reported today consolidated net sales of Ps. 10.437 billion for the fourth quarter and Ps. 38.526 billion for the twelve months ended December 31, 1999, an increase of 5.0% and 4.8%, respectively, over the comparable periods last year. Consolidated revenue growth was driven by revenue growth in three of FEMSA's principal divisions – FEMSA Cerveza, Coca-Cola FEMSA and FEMSA Comercio. Revenue growth in the beverage divisions is primarily a consequence of volume growth and real price increase experienced by FEMSA Cerveza and Coca-Cola FEMSA's Mexican operations. In the retail division, revenue growth is attributable to same store sales growth and an increase in the number of stores.

The Company recorded consolidated operating income of Ps. 1.814 billion for the fourth quarter of 1999 and Ps. 6.045 billion for the twelve months ended December 31, 1999, an increase of 34.0% and 14.9%, respectively, each over the comparable periods last year. The Company registered an operating margin for the fourth quarter of 1999 of 17.3%, a 3.7 percentage point improvement over the 13.6% operating margin achieved in the fourth quarter of 1998. The Company's operating margin in 1999 reached 15.6%, 1.3 percentage points above 1998.

José Antonio Fernández, chief executive officer of the Company, stated, "We believe that the strong results obtained in 1999 not only reflect a better than expected performance of the macro-economy, but above all, bear witness to the strength of our brands and franchises in Mexico. Our management has been consistently emphasizing a "going back to basics" strategy, which hinges on identifying best practices within our industries and making them standard operating procedures. This discipline will be helped by the recent reassignment of top executives across subsidiaries, which in addition will also foster a better integration of our operations. While challenges do lie ahead in an increasingly competitive environment, we are confident that we will rise to meet them successfully in the interest of our consumers and our shareholders".

Net majority income decreased by 29.6% to Ps. 733 million for the fourth quarter of 1999 and increased by 93.5% to Ps. 2.930 billion in 1999, each compared to the same period last year. Earnings per FEMSA Unit for the fourth quarter of 1999 and for the twelve months ended December 31, 1999 amounted to Ps. 0.686 and Ps. 2.743, respectively. Earnings per ADR for the fourth quarter and full year 1999 amounted to US$ 0.724 and US$ 2.893, respectively.

AUDITED FINANCIAL RESULTS FOR THE FOURTH QUARTER AND TWELVE MONTHS ENDED DECEMBER 31, 1999 COMPARED TO THE FOURTH QUARTER AND TWELVE MONTHS ENDED DECEMBER 31, 1998

Set forth below is certain audited financial information for Fomento Económico Mexicano, S.A. de C.V. ("FEMSA" or the "Company") (NYSE: FMX) for the fourth quarter and twelve months ended December 31, 1999, compared to the fourth quarter and twelve months ended December 31, 1998. FEMSA is a holding company whose principal activities are grouped under the following six sub-holding companies (the "Subholding 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; Logística CCM S.A. de C.V. ("Logistica CCM") which provides logistics management services to FEMSA Cerveza and FEMSA Logística, S.A. de C.V. ("FEMSA Logística"), which provides logistics management services to Coca-Cola FEMSA, FEMSA Empaques and, recently, to third party clients.

All of the figures in this report have been restated in constant Mexican pesos ("Pesos" or "Ps.") with purchasing power as of December 31, 1999 and were prepared in accordance with Mexican Generally Accepted Accounting Principles ("Mexican GAAP"); therefore, all the percentage changes are expressed in real terms. The restatement was determined as follows:

— For the results of the Mexican operations, using factors derived from the Mexican National Consumer Price Index.
— For the results of the Buenos Aires operations, using factors derived from the Argentine National Consumer Price Index and converting constant Argentine pesos into Pesos, based on the December 31, 1999 exchange rate of Ps. 9.495 per Argentine peso.

This report may contain certain forward-looking statements concerning FEMSA's future performance and should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

IMPORTANT NOTICE:

We invite you to register your name in our new Investor Relations Site located in our Web Site (www.femsa.com) to receive all of our press releases, earnings releases and financial information automatically through our e-mail alert service. In addition you will find audio archives for past conference calls, Quarterly Earnings Releases since 1997, Corporate Presentations given by Senior Management in Industry Conferences, an IR Events Calendar, Annual Reports to Shareholders and Annual Report Pursuant to Section 13 of the Securities Exchange Act of 1934, and historical and real time stock price information.

Audited Financial Results for the Fourth Quarter ended December 31, 1999 compared to the Fourth Quarter ended December 31, 1998

FEMSA Consolidated

NET SALES GROWTH	4 Qtr 99 vs 4 Qtr 98
FEMSA Consolidated	5.0%
FEMSA Cerveza	11.9%
Coca-Cola FEMSA	3.1%
FEMSA Empaques	(2.8%)
FEMSA Comercio	23.5%

Total Revenues/Net Sales

FEMSA's consolidated total revenues increased by 4.8% to Ps. 10.462 billion and consolidated net sales increased by 5.0% to Ps. 10.437 billion. FEMSA Cerveza and Coca-Cola FEMSA's Mexican operations recorded strong revenue growth during the fourth quarter as a result of volume growth and an improvement in the pricing of their products. Notwithstanding strong revenue growth recorded by FEMSA's principal subsidiaries, FEMSA's consolidated revenue growth for the fourth quarter was slightly affected by the decline in the revenues of FEMSA Empaques and Coca-Cola FEMSA Buenos Aires. The continuous decline in net sales for Coca-Cola FEMSA's Buenos Aires operations reflects a decline in the average unit case price in such market as compared to the fourth quarter of 1998, even though the average price per unit case stabilized compared to the third quarter of 1999. FEMSA Empaques continued to record a decline in net sales despite stronger volume trends, as a result of the prevalence of a strong Peso exchange rate throughout the quarter.

Gross Profit

FEMSA's consolidated gross profit increased by 18.7% to Ps. 5.334 million, representing a consolidated gross profit margin of 51.1%, an increase of 5.9 percentage points. All of FEMSA's principal Subholding Companies realized gross margin expansion during the quarter reflecting the effect of (i) stronger volume growth and an improvement in the price of FEMSA's principal products, (ii) volume leverage on a relatively stable fixed-cost structure, and (iii) the real appreciation of the Peso against the Dollar compared to the fourth quarter of 1998, which resulted in lower variable costs for FEMSA Cerveza, Coca-Cola FEMSA and FEMSA Empaques, in addition to lower dollar prices of certain raw materials.

Income from Operations

FEMSA's consolidated operating expenses (including goodwill amortization) increased by 12.6% to Ps. 3.541 billion. As a percentage of total revenues, consolidated operating expenses increased by 2.3 percentage points to 33.8%, primarily reflecting the increase in operating expenses recorded by FEMSA Cerveza in connection with higher marketing expenses incurred in new product launchings and sport events sponsorships. Some of FEMSA's subsidiaries pay management fees to FEMSA in consideration for corporate services provided by FEMSA to such subsidiaries. Management fees paid by FEMSA's subsidiaries to FEMSA are eliminated in consolidation and thus have no effect on FEMSA's consolidated operating expenses, with the exception of the management fee paid by FEMSA Cerveza to Labatt Brewing Company Limited ("Labatt"), which amounted to Ps. 20.8 million for the fourth quarter of 1999. FEMSA's consolidated income from operations (after participation in the results of affiliated companies) increased by 34% to Ps. 1.814 billion. FEMSA Cerveza accounted for more than half of the increase in the consolidated operating income, and Coca-Cola FEMSA and FEMSA Comercio accounted for the remaining increase. FEMSA's consolidated operating margin increased by 3.7 percentage points to 17.3% of consolidated total revenues.

CHANGE IN INCOME FROM OPERATIONS **Before management fees**	**4 Qtr 99 vs 4 Qtr 98**
FEMSA Consolidated	34.0%
FEMSA Cerveza	45.7%
Coca-Cola FEMSA	34.7%
FEMSA Empaques	4.9%
FEMSA Comercio	24.6%

All comparisons for the fourth quarter ended December 31, 1999 in this report are made against the figures for the fourth quarter ended December 31, 1998

Net Income

FEMSA's consolidated net income decreased by 16.8% from Ps. 1.215 billion recorded in the fourth quarter of 1998 to Ps. 1.011 billion in the fourth quarter of 1999. The decrease in net income recorded in the quarter reflects (i) the effect of the integral result of financing expense which amounted to Ps. 247 million compared with an integral result of financing income of Ps. 367 million recorded in the fourth quarter of 1998, and (ii) an increase of 42.9% in the income tax, tax on assets and employee profit sharing.

During the fourth quarter of 1999, consolidated net financial expense increased by 19.9% to Ps. 193 million compared to the fourth quarter of 1998. This increase reflects the net effect of (i) a 5.2% decline in interest expense, and (ii) a decrease of 36.7% in interest income resulting from lower interest rates earned on Peso investments relative to the fourth quarter of 1998. FEMSA recorded a consolidated foreign exchange loss of Ps. 176 million primarily reflecting (i) a Ps. 72 million loss generated by dollar exchange forward contracts recorded for the fourth quarter of 1999, and (ii) the depreciation of the Peso against the Dollar of 1.7% in the fourth quarter. See "Audited Financial Results for the Twelve Months Ended December 31, 1999 compared to the Twelve Months Ended December 31, 1998—FEMSA Consolidated Net Income". The gain on monetary position amounted to Ps. 122 million, a decline of 64.0%, primarily reflecting a lower inflation rate in the fourth quarter of 1999 compared to the fourth quarter of 1998.

FEMSA and its subsidiaries recognized consolidated income tax, tax on assets and employee profit sharing of Ps. 420 million, an increase of 42.9%. The increase in consolidated income tax, tax on assets and employee profit sharing resulted from the fiscal consolidation effect, which generated an incremental tax payment for FEMSA, reflecting the fact that the Subholding Companies began applying their respective net operating loss carryforwards, which had been previously utilized by the holding company, to offset their fiscal profits. The Company's average tax rate for the fourth quarter of 1999 was 29.4% compared to an average tax rate of 19.5% for the same period in 1998.

Consolidated net majority income amounted to Ps. 733 million for the fourth quarter of 1999 compared with Ps. 1.041 billion recorded in the fourth quarter of 1998. Net majority income per FEMSA UBD unit[1] amounted to Ps. 0.686 a decline of 29.6% compared with Ps. 0.974 for the same period last year. Net majority income per FEMSA ADR[2] amounted to US$ 0.724 for the fourth quarter of 1999.

4 QTR	**Per FEMSA Unit[1]**	
Pesos	**1999**	**1998**
Net Majority Income	0.686	0.974
EBITDA[3]	2.440	1.897

[1]FEMSA Units consists of FEMSA UBD units and FEMSA UB units. Each FEMSA UBD unit is comprised of one Series B share, two Series D-B shares and two Series D-L shares. Each FEMSA UB unit is comprised of five series B shares. The number of FEMSA Units outstanding as of December 31, 1999 was 1,068,268,090, equivalent to the total number of shares of the Company outstanding as of December 31, 1999 divided by 5.

[2] Each ADR is comprised of 10 FEMSA UBD units. To calculate the net majority income and EBITDA on an equivalent per ADR basis, the number of ADRs used was 106,826,809, equivalent to the number of FEMSA Units outstanding as of December 31, 1999 divided by 10.

[3] EBITDA is calculated as income from operations plus depreciation and amortization plus non-cash charges. Please note that the U.S. Securities and Exchange Commission does not endorse the use of EBITDA. However, FEMSA's management has chosen to present EBITDA because it believes it is a useful measure.

FEMSA Cerveza

Net Sales

FEMSA Cerveza's net sales increased by 11.9% to Ps. 4.415 billion primarily reflecting a 7.6% increase in total shipments. FEMSA Cerveza's domestic shipments increased by 7.4% to 5.737 million hectoliters. Management attributes FEMSA Cerveza's volume growth in the fourth quarter to strong demand in the northern regions of the country, which observed favorable weather conditions throughout the quarter and had lagged behind the industry growth during the first nine months of 1999. In addition, higher consumption of beer during the holiday celebrations of the month of December and the sale of commemorative brands also contributed to domestic shipments growth during the quarter. Management believes that the inventory buildup of the retailing system in Mexico in anticipation to the price increase effective in January 2000 and the Year 2000 Computer Problem "Y2K Problem", was not substantially different than the inventory build-up which took place in the fourth quarter of 1999 (in hectoliters).

OPERATING HIGHLIGHTS	
% Change	**4 Qtr 99 vs 4 Qtr 98**
Domestic Volume	7.4%
Export Volume	11.2%
Total Volume	7.6%
Net Sales	11.9%
Income from Operations before management fees	45.7%

Domestic revenue per hectoliter increased approximately by 4.5% relative to the fourth quarter of 1998, and contributed importantly to net sales growth for the same period. The strength in the revenue per hectoliter observed in the fourth quarter is primarily attributable to (i) an increase in the proportion of non-returnable presentations, including non-returnable glass, which are sold at a premium price relative to the 12 ounce returnable presentation, (ii) higher sales of commemorative products such as the Noche Buena Brand and the two new millennium especial edition presentations of Carta Blanca and Superior all of which are sold at a premium price, and (iii) higher volume growth recorded by the northern regions of the country, which represent higher price regions for FEMSA Cerveza relative to the center and southeastern regions of the country.

Export shipments grew by 11.2% to 319 thousand hectoliters in the fourth quarter. Shipments to North America including Canada, increased by 17.3% and accounted for 87% of FEMSA Cerveza's export shipments. Export revenues decreased by 7.6% to Ps. 204 million and in U.S. dollar terms, export revenues increased by 9.8% relative to the same period last year to US$21million. FEMSA Cerveza implemented a number of marketing and promotional efforts in the United States market in the quarter such as an aggressive media campaign for Dos Equis, a Tecate Christmas holiday promotion targeted to the Hispanic population and the sponsorship of soccer tournaments mainly in Texas, Arizona, California and Illinois. In Europe, FEMSA Cerveza launched a promotional campaign with Sol for the markets of France and Germany during the fourth quarter.

Gross Profit

FEMSA Cerveza's cost of goods sold decreased by 3.9% to Ps. 1.961 billion and recorded gross profit growth of 27.1% to Ps. 2.472 billion. The gross profit margin increased by 6.7 percentage points to 56.0% of net sales, exceeding the gross margins achieved by FEMSA Cerveza during the three previous quarters of 1999. Volume growth resulted in greater operating leverage for the system as a whole compared to the same period last year and the previous quarter of 1999, which translated into higher absorption of fixed costs. In addition, during the fourth quarter, FEMSA Cerveza continued to benefit from the same variable cost trends experienced throughout 1999 such as (i) a decline in the peso amount of dollar denominated variable costs relative to the same period last year, reflecting lower commodity prices and the real appreciation of the Peso against the Dollar and (ii) continued savings in freight costs, reflecting the efficiencies achieved by Logística CCM in the operation and

MARGINS		
	4 Qtr 99	4 Qtr 98
Gross margin	56.0%	49.3 %
Operating margin before management fees	17.8%	13.6%

All comparisons for the fourth quarter ended December 31, 1999 in this report are made against the figures for the fourth quarter ended December 31, 1998 management of FEMSA Cerveza's primary distribution activities. See "Audited Financial Results for the Twelve Months ended December 31, 1999 compared to the Twelve Months ended December 31, 1998 —FEMSA Cerveza Gross Profit".

Income from Operations

FEMSA Cerveza's operating expenses increased by 21.0% to Ps. 1.704 billion, representing 38.4% of total revenue, compared to 35.3% of total revenue for the fourth quarter 1998. Administrative expenses increased by 18.0% reflecting higher investment in information technology systems and human resources. Selling expenses increased by 21.9%, reflecting (i) higher advertisement and promotional investments in national soccer championships, (ii) expenditures incurred in the launching of the two millennium especial presentations of Carta Blanca and Superior and (iii) marketing campaigns and sponsorships in the United States market. FEMSA Cerveza has continued to give priority to brand building expenditures (recorded as selling expenses), over discounts and promotions (recorded as reduction in net revenues), as part of its on-going objective to emphasize pull-side over push-side efforts. Notwithstanding the increase in operating expenses, 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 45.7% to Ps. 789 million, the highest percentage increase recorded over the past two years. FEMSA Cerveza's operating margin before management fees reached 17.8% of total revenues, 4.2 percentage points higher than the 13.6% recorded for the same period last year. Management believes that the significant improvement in the profitability of the business achieved in the fourth quarter of 1999 relative to the fourth quarters of the prior two years, is a attributable to greater volume, stronger pricing/lower discounts, lower raw material costs in addition to the real appreciation of the Peso and efficiencies resulting from improved distribution and commercial processes particularly in the center regions of the country.

Coca-Cola FEMSA

Net Sales

Coca-Cola FEMSA recorded net sales growth of 3.1% to Ps. 3.837 billion. Net sales growth is primarily attributable to moderate volume growth in the combined Mexican and Buenos Aires Territories and an improvement in the average price per unit case in Mexico reflecting the nominal weighted average price increase of 12% implemented in November of 1999 in the Valley of Mexico. Net sales growth for the Mexican Territories amounted to 7.0% to Ps. 2.724 billion reflecting volume growth of 2.8% and a increase in average revenue per case of 4.0%. Management believes that the price increase implemented in November 1999 dampened volume growth in such territories in the quarter, but nevertheless contributed importantly to net sales growth. Coca-Cola FEMSA Buenos Aires continued to record a decline in net sales despite volume growth of 3.0%, as a result of a 8.1% decline in average revenue per case in Argentine pesos as compared to the fourth quarter of 1998. Nevertheless, the pricing levels of the fourth quarter remained at similar levels than those of the third quarter of 1999.

VOLUME GROWTH 4 Qtr 99 vs 4 Qtr 98	
	Total
Mexico	2.8%
Buenos Aires	3.0%
Total	2.8%

Gross Profit

Coca-Cola FEMSA's cost of goods sold decreased by 5.8% to Ps. 1.954 billion and recorded a significant gross margin expansion of 4.6 percentage points to 49.6% of net sales, the largest gross margin expansion recorded in 1999. The Mexican operations experienced gross margin expansion reflecting lower per unit costs of peso and dollar denominated raw materials as compared to the fourth quarter of 1998, despite the more expensive packaging content of the non-returnable presentations and higher depreciation expenses. The Buenos Aires operations also experienced gross margin expansion primarily reflecting cost savings on certain raw materials, continued improvement in fixed cost absorption and efficiencies realized from operating under a leaner cost structure compared with the same period last year. In general, Coca-Cola FEMSA's operations continued to benefit from the favorable trend of lower raw material prices during the fourth quarter of 1999 relative to the fourth quarter of 1998. See "Audited Financial Results for the Twelve Months ended December 31, 1999 compared to the Twelve Months ended December 31, 1998—Coca-Cola FEMSA-Gross Profit".

MARGINS		
	4 Qtr 99	4 Qtr 98
Gross margin	49.6%	45.1%
Operating margin	17.9%	13.7%

Income from Operations

Operating expenses increased by 4.5% to Ps. 1.184 billion. As a percentage of total revenues, operating expenses increased by 0.5 percentage points to 30.7%. Operating expenses in the Mexican Territories declined by 0.5 percentage points as a percentage of sales and remained relatively stable in constant Peso terms compared to prior quarters in 1999, despite seasonal spending and market activity in relation to the December holiday season. In the Buenos Aires Territories operating expenses increased by 2.5 percentage points as a percentage of total revenues, reflecting increased marketing and promotional activities during the December holiday season and the summer months. Income from operations after amortization of goodwill increased by 34.7% to Ps. 692 million. Coca-Cola FEMSA's operating margin increased by 4.2 percentage points to 17.9% of total revenues. The Mexican operations recorded an improvement of 6.2 percentage points to 20.9% of total revenues, reaching a record margin level for such territory, while the Buenos Aires operations recorded a decline in operating margin of 1.0 percentage points to 12.4% of total revenues.

FEMSA Empaques

VOLUME GROWTH 4 Qtr 99 vs 4 Qtr 98	
Beverage cans	8.7%
Crown caps	7.0%
Glass bottles	(4.0)%
Refrigerators	—

Net Sales

FEMSA Empaques experienced a decline in net sales of only 2.8% to Ps. 1.810 billion for the fourth quarter of 1999, a significantly lower decline as compared to the two previous quarters of 1999, mainly as a consequence of higher volume growth in beverage cans and lower volume declines in glass and in refrigerators, as compared to the previous quarters in 1999. Sales volume for beverage cans and crown caps increased by 8.7% and 7.0%, respectively, reflecting strong growth in sales of beverage cans to FEMSA Cerveza and continued export growth in crown caps. In addition, sales volume of glass bottles decreased by only 4.0% and refrigerators remained relatively stable during the quarter, halting the negative trend observed over the first nine months of 1999 in both products. See "Audited Financial Results for the Twelve Months ended December 31, 1999 compared to the Twelve Months ended December 31, 1998—FEMSA Empaques Net Sales". Export revenues decreased by 13.6% to Ps. 158 million and represented 8.7% of net sales. In U.S. Dollar terms, export revenues increased by 2.5% to US$16 million.

Gross Profit

FEMSA Empaques' cost of goods sold decreased by 5.0% to Ps. 1.319 billion and declined by 1.7 percentage points as a percentage of net sales reflecting (i) the effect of the appreciation of the Peso against the Dollar on Dollar-denominated costs relative to the fourth quarter of 1998, (ii) the continuous implementation of efficiency programs and cost/waste reduction measures to improve profitability and (iii) lower steel costs obtained from better negotiations and some substitution of imported steel with domestic steel. FEMSA Empaques recorded gross profit growth, for the first time in 1999, of 3.4% to Ps. 503 million and a gross margin improvement of 1.7 percentage points to 27.8% of net sales.

MARGINS		
	4 Qtr 99	4 Qtr 98
Gross margin	27.8%	26.1%
Operating margin before management fees	19.1%	17.7%

Income from Operations

Operating expenses remained constant in real terms and slightly increased as a percentage of total revenues to 8.5%. Income from operations before deduction of management fees increased by 4.9% to Ps. 349 million and FEMSA Empaques' operating margin increased by 1.4 percentage points to 19.1% from 17.7% recorded for the fourth quarter of 1998. Management believes that the growth experienced by FEMSA Cerveza's domestic volume in the fourth quarter as well as the growth in crown cap export volume contributed importantly to the recovery of FEMSA Empaque's profitability. The management fees paid by FEMSA Empaques to FEMSA in the fourth quarter of 1999 increased by 2.2 percentage points, to 3.2% of total revenues. Because FEMSA Empaques is a 100%-owned subsidiary of FEMSA, the increase in the management fee does not impact FEMSA's consolidated operating income.

FEMSA Empaques continues with the process of divesting its cardboard operations since management believes that the Mexican cardboard industry is competitive in terms of prices and quality. Management expects to complete this divestiture by the first quarter of 2000. The proceeds from the sale of the cardboard business will be utilized to pay down FEMSA Empaques' debt.

FEMSA Comercio

Net Sales

OPERATING HIGHLIGHTS	
% CHANGE	**4 Qtr 99 vs 4 Qtr 98**
New stores	78
Net sales	23.5%
Same store sales	7.2%
Income from operations Before management fees	24.6%

FEMSA Comercio's net sales increased by 23.5% to Ps. 1.520 billion. Sales growth was primarily attributable to (i) the addition of 78 net new stores during the quarter and 197 net new stores over the last twelve months, (ii) strong demand for traffic generator products observed throughout the quarter, and (iii) average same store sales growth of 7.2% as compared to the fourth quarter of 1998, reflecting an improvement in the ticket and traffic per store. Management estimates that average same store sales growth for the organized retail industry increased by approximately 3% during the fourth quarter, a higher growth rate than the accumulated growth recorded by the industry for the first nine months, but substantially below the 7.2% growth recorded by the Oxxo Convenience Store Chain ("Oxxo" or "the Oxxo chain") in the quarter. See "Audited Financial Results for the Twelve Months ended December 31, 1999 compared to the Twelve Months ended December 31, 1998—FEMSA Comercio-Net Sales". Preliminary statistics for same store sales experienced by the Mexican retail industry published by the National Association of Retailers ("ANTAD") indicate that there was a surge in overall private consumption in the fourth quarter and specially in the month of December, as opposed to the more lackluster consumption growth experienced during the first nine months of the year.

Gross Profit

FEMSA Comercio recorded gross profit of Ps. 377 million, a 14.1% increase over the fourth quarter of 1998. The gross margin decreased by 2.0 percentage points to 24.8% of net sales. The decline in gross margin relative to the same period last year reflects an intensification of promotional strategies during the fourth quarter, in particular in the sale of cigarettes and beverages.

MARGINS		
	4 Qtr 99	4 Qtr 98
Gross margin	24.8%	26.8%
Operating margin before management fees	5.4%	5.3%

Income from Operations

Operating expenses increased by 11.5% to Ps. 295 million and declined by 2.1 percentage points as a percentage of total revenues to 19.4% compared to 21.5% recorded in the fourth quarter of 1998. The aggressive growth in stores experienced during the quarter continues to yieldoperating margin expansion reflecting decreasing average operating expenses per store. FEMSA Comercio recorded income from operations before deduction of management fees of Ps. 81.6 million in the fourth quarter of 1999, an increase of 24.6% relative to the fourth quarter of 1998. Notwithstanding a decline in the gross margin, FEMSA Comercio's operating margin increased by 0.1 percentage points to 5.4% of total revenues. The management fee paid by FEMSA Comercio to FEMSA increased by 0.3 percentage points effective as of the fourth quarter of 1999 to 0.6% of sales. Because FEMSA Comercio is a 100%-owned subsidiary of FEMSA, the increase in the management fee does not impact the consolidated results of FEMSA.

Audited Financial Results for the Twelve Months ended December 31, 1999 compared to the Twelve Months ended December 31, 1998

FEMSA Consolidated

Total Revenues/Net Sales

FEMSA's consolidated total revenues increased by 4.6% to Ps. 38.627 billion and consolidated net sales increased by 4.8% to Ps. 38.526 billion. Net sales growth in 1999 was driven primarily by volume growth and improved pricing experienced by FEMSA Cerveza and Coca-Cola FEMSA in Mexico, and an increase of 197 new stores in the case of FEMSA Comercio. FEMSA Empaques, on the other hand, experienced either slow volume growth or volume decreases in some of its main products as well as lower peso revenues for Dollar-denominated products, which has impacted negatively on FEMSA Empaques' net sales and, consequently, on FEMSA's consolidated net sales.

NET SALES GROWTH Twelve months ended December 31, 1999 vs 1998	
FEMSA Consolidated	4.8%
FEMSA Cerveza	7.5%
Coca-Cola FEMSA	5.0%
FEMSA Empaques	(4.2)%
FEMSA Comercio	19.3%

Gross Profit

FEMSA's consolidated gross profit increased by 12.5% to Ps. 18.858 billion, representing a consolidated gross profit margin of 48.9%, an increase of 3.3 percentage points. The expansion in the consolidated gross profit margin reflects (i) stronger volume growth and an improvement in the price of FEMSA's principal products, (ii) lower variable costs as a result of the reduction in the prices of some of FEMSA's main raw materials, (iii) continuous production and scale-driven efficiencies obtained primarily in the beverage subsidiaries, and (iv) the effect on dollar-denominated costs of the real appreciation of the Peso against the U.S. dollar over the last twelve months. The nominal appreciation of the Peso against the Dollar for the last twelve months was 3.9% compared to an inflation rate of 12.5% over the same period.

Income from Operations

FEMSA's consolidated operating expenses (including goodwill amortization) increased by 11.2% to Ps. 12.862 billion. As a percentage of total revenues, consolidated operating expenses increased by 2.0 percentage points to 33.3%. Some of FEMSA's subsidiaries pay management fees to FEMSA in consideration for corporate services provided by FEMSA to such subsidiaries. Management fees paid by FEMSA's subsidiaries to FEMSA are eliminated in consolidation and thus have no effect on FEMSA's consolidated operating expenses, with the exception of the management fee paid by FEMSA Cerveza to Labatt, which amounted to Ps. 88 million in 1999. FEMSA's consolidated income from operations (after participation in the results of affiliated companies) increased by 14.9% to Ps. 6.045 million driven by an increase in income from operations in all of FEMSA's subsidiaries with the exception of FEMSA Empaques. FEMSA's consolidated operating margin increased by 1.3 percentage points to 15.6% of consolidated total revenues.

CHANGE IN INCOME FROM OPERATIONS Before management fees Twleve months ended December 31, 1999 vs 1998	
FEMSA Consolidated	14.9%
FEMSA Cerveza	20.1%
Coca-Cola FEMSA	18.1%
FEMSA Empaques	(4.4)%
FEMSA Comercio	45.8%

All comparisons for the twelve months ended December 31,1999 in this report are made against the figures for the twelve months ended December 31, 1998

Net Income

FEMSA's consolidated net income increased by 73.0% from Ps. 2.259 billion recorded in the twelve months of 1998 to Ps. 3.908 billion in 1999. The increase in net income was driven by (i) a 14.9% increase in the consolidated income from operations, (ii) a 96.4% decrease in the consolidated integral result of financing as a consequence of a decline in net interest expense and a foreign exchange gain recorded as a result of the appreciation of the Peso against the Dollar during the twelve months of 1999, and (iii) a 55.5% decrease in other expenses.

In 1999, FEMSA recorded consolidated integral result of financing income of Ps. 55 million, compared to a consolidated integral result of financing expense of Ps. 1.508 million for the comparable period in 1998. During the twelve months of 1999, consolidated net financial expense decreased by 28.7% to Ps. 603 million compared to the twelve months of 1998. This decrease was primarily attributable to a 19.0% decline in interest expense reflecting a decline of approximately US$114 million in the consolidated average debt balance of the Company during 1999 relative to 1998 and the effect of the real appreciation of the Peso against the Dollar on interest payments on Dollar-denominated debt. As a result of the 3.9% nominal appreciation of the Peso in the twelve months of 1999 compared with a nominal depreciation of 22.7% in the twelve months of 1998, FEMSA recorded a consolidated foreign exchange gain of Ps. 112 million compared to a consolidated foreign exchange loss of Ps. 1.677 billion recorded in 1998. Such foreign exchange gain was slightly offset by a foreign exchange loss of approximately Ps. 157 million during 1999 as a consequence of losses generated by Dollar-forward contracts. As of December 31, 1999, the Company had entered into Dollar-forward contracts for US$475 million which will mature during 2000 and have a weighted average exchange rate of Ps. 10.9470 per U.S. dollar. The gain on monetary position amounted to Ps. 436 million, a decline of 57.0%, primarily reflecting a lower inflation rate in 1999 compared to 1998.

FEMSA and its subsidiaries recognized consolidated income tax, tax on assets and employee profit sharing of Ps. 1.852 billion, an increase of 89.9%. The increase in consolidated income tax, tax on assets and employee profit sharing is primarily a consequence of (i) the increase in taxable income reflecting the growth in income from operations and the gain recorded in the integral result of financing, and (ii) the fiscal consolidation effect, which has generated an incremental tax payment for FEMSA, reflecting the fact that the Subholding companies began applying their respective net operating loss carryforwards, which had been previously utilized by the holding company, to offset their fiscal profits. In addition, the tax provision for income tax, tax on assets and employee profit sharing that the Company reported as of December 31, 1999, includes a credit (benefit) for the excess of income taxes paid in respect of the Mexican federal tax on assets. Such credit was generated by the changes in the ownership structure of the Company in connection with the VISA-FEMSA restructuring which took place in 1998, and amounts to Ps. 315 million all of which is recorded in 1999. The criteria to record such credit is sustainable according to the Mexican fiscal tax authorities and, although the Company has not yet received a written confirmation authorizing such tax credit, management believes such confirmation will be obtained in the upcoming months. The Company's average tax rate for 1999 was 32.2% compared to an average tax rate of 30.1% for the same period in 1998.

Consolidated net majority income amounted to Ps. 2.930 billion for 1999 compared with Ps. 1.514 million recorded in 1998. Net majority income per FEMSA UBD unit[1] amounted to Ps. 2.743 compared with Ps. 1.417 for the same period last year. Net majority income per FEMSA ADR[2] amounted to US$ 2.893 for 1999.

Management believes that the increase in FEMSA's net income for 1999 was in part due to the appreciation of the Peso against the U.S. dollar during this period and that a future depreciation of the Peso of a similar magnitude could have a corresponding negative effect on FEMSA's net income.

	Per FEMSA Unit[1]	
Pesos	**1999**	**1998**
Net Majority Income	2.743	1.417
EBITDA[3]	8.451	7.372

[1]FEMSA Units consists of FEMSA UBD units and FEMSA UB units. Each FEMSA UBD unit is comprised of one Series B share, two Series D-B shares and two Series D-L shares. Each FEMSA UB unit is comprised of five series B shares. The number of FEMSA Units outstanding as of December 31, 1999 was 1,068,268,090, equivalent to the total number of shares of the Company outstanding as of December 31, 1999 divided by 5.

[2] Each ADR is comprised of 10 FEMSA UBD units. To calculate the net majority income and EBITDA on an equivalent per ADR basis, the number of ADRs used was 106,826,809, equivalent to the number of FEMSA Units outstanding as of December 31, 1999 divided by 10.

[3] EBITDA is calculated as income from operations plus depreciation and amortization plus non-cash charges. Please note that the U.S. Securities and Exchange Commission does not endorse the use of EBITDA. However, FEMSA's management has chosen to present EBITDA because it believes it is a useful measure.

Future Impact of Recently Issued Accounting Standards

During 1998, the Mexican Institute of Public Accountants issued a revised Bulletin D-4, "Accounting for Income Taxes, Tax on Assets and Employee Profit Sharing." This new accounting standard will be mandatory for all Mexican companies beginning in 2000.

If the Company had adopted the new standard in 1999, it would have recognized a deferred tax liability of Ps. 3,997 million and a reduction in shareholders' equity of the same amount. The effect on the majority net income of the year would have been a decrease of Ps. 388 million. The cumulative effect of adopting this new standard as of January 1, 2000 will be recorded as an adjustment to retained earnings as of that date.

It is important to note that the above-mentioned effects of the new standard on the majority net income of the Company, as if the standard had been adopted in 1999 may not necessarily be representative of the actual effects on the majority net income in the future, as such effects will depend on future temporary differences.

The effects of the adoption of this new standard on the Company's Mexican GAAP financial statements with respect to income tax and tax on assets is expected to be substantially identical to the effects of the application of Statement of Financial Accounting Standards No. 109 " Accounting for Income Tax" (SFAS No. 109) from US GAAP. However, the new bulletin will not require the recognition of deferred employee profit sharing.

FEMSA Cerveza

OPERATING HIGHLIGHTS % Change Twelve months ended December 31, 1999 vs 1998	
Domestic Volume	4.2%
Export Volume	14.3%
Total Volume	4.8%
Net Sales	7.5%
Income from Operations before management fees	20.1%

Net Sales

FEMSA Cerveza's net sales increased by 7.5% to Ps. 15.936 billion primarily reflecting (i) a 4.8% increase in total shipments, (ii) a 2.8% increase in the domestic revenue per hectoliter reflecting the net real effect of the nominal price increase implemented on January 1, 1999, and (iii) an increase of almost one percentage point in the proportion of the can presentation as a percentage of domestic shipments to 18.3% of domestic shipments. FEMSA Cerveza's domestic shipments increased by 4.2% to 22.098 million hectoliters. Management believes that FEMSA Cerveza's domestic market share for 1999 remained unchanged compared to 1998. Domestic industry growth in 1999 is mainly attributable to (i) better than expected performance of the economy which translated into an increase in real disposable income in the wake of higher employment creation and falling inflation, (a critical macroeconomic variable which drive domestic demand), (ii) incremental demand generated by young new population entering the drinking age, and (iii) on-going competitive and promotional activities by industry participants which induce volume growth. Management believes that per-capita consumption of beer in Mexico did not grow significantly in 1999 and is still low compared to beer per-capita consumption in developed economies, thus representing an important growth opportunity for the Mexican beer industry in the future.

Shipments for Sol, XX Lager, and Tecate increased by 18.6%, 3.6%, and 3.7%, respectively. Other brands such as Bohemia, Tecate Light and Indio experienced a growth rate of approximately 9% in 1999, although they represent a small percentage of FEMSA Cerveza's domestic shipments. Export shipments grew by 14.3% to 1.511 million hectoliters. Shipments to North America, including Canada, increased by 19% and accounted for 88.9% of FEMSA Cerveza's export shipments. In the United States market Tecate sales volume increased by 18.1%, Sol 86.4% and XX Lager 27.6%. Export shipments to Asia have grown 39% for the twelve months of 1999 although such market accounted for 3.5% of total export shipments. Export revenues increased by 1.1% to Ps. 1.0 billion and in U.S. dollar terms, export revenues increased by 14.3% to US$100.6 million. Management believes that the roll-out campaign of Sol in the United States market continues to be a success manifested by the greater acceptance and recognition of the brand experienced in 1999 in the markets of Texas, California, Colorado and Arizona. The next phase of the roll-out program for Sol in the United States includes expansion of coverage in additional cities in the states of Texas, Colorado, Arizona, New Mexico and California and the launching of the brand in two additional sun-belt states and two northwestern states.. FEMSA Cerveza continues to invest in building brand equity in the United States market through important advertising and media campaigns for Dos Equis Lager and Amber and increasing penetration of the Tecate brand in the U.S. Hispanic market, which has been growing at very attractive rates.

Gross Profit

MARGINS		
Twelve months ended December 31	1999	1998
Gross margin	54.6%	50.5%
Operating margin before management fees	18.2%	16.3%

FEMSA Cerveza's cost of goods sold decreased slightly by 1.1% to Ps. 7.334 billion and recorded gross profit growth of 16.2% to Ps. 8.701 billion. As a result of a lower rate of growth of the cost of goods sold relative to net sales, the gross margin increased by 4.1 percentage points to 54.6% of net sales, reflecting (i) a real decline in the costs of FEMSA Cerveza's main raw materials such as grains and beverage cans as a consequence of lower commodity prices, (ii) the effect of the appreciation of the Peso against the Dollar on dollar-denominated raw materials (iii) a reduction of approximately 6.5% in freight costs resulting from greater efficiencies obtained by Logística CCM in the operation of FEMSA Cerveza's primary distribution and logistics processes, and (iv) the leverage effect of volume growth over a relatively stable fixed-cost structure.

Income from Operations

FEMSA Cerveza's operating expenses increased by 13.9% to Ps. 5.825 billion, representing 36.3% of total revenue, compared to 34.3% of total revenue for the same period last year. The increase in operating expenses is primarily attributable to (i) intensification of pull and certain push related efforts in response to a prevalent competitive environment in the domestic market, (ii) a more aggressive long-term incentive compensation program for management, including the sales force, and (iii) continuous efforts to increase brand awareness in both the domestic and the export markets, which has translated in increased sponsorships of sport and cultural events. Among the most important brand image campaigns in 1999 stand out the campaigns to revitalize the Carta Blanca and Superior brands in their respective markets, efforts which successfully culminated with the launching of two new millennium special edition presentations, with innovative and appealing liquids and packaging. Both of this presentations were sold and will continue to be sold at a premium price over their "sister" brands. Despite the increase in commercial expenditures experienced in 1999 in the domestic market, management believes that the investments in brand equity and brand loyalty undertaken over the past two years are beginning to pay off, specially with respect to the young adult segment of the population, where brand preference indicators in 1999 improved over last year. 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 20.1% to Ps. 2.924 billion. FEMSA Cerveza's operating margin before management fees increased by 1.9 percentage points to 18.2% of total revenues.

Recent Proceedings

On January 24, 2000, the Mexican Federal Antitrust Commission notified FEMSA Cerveza that it was reviewing the pricing practices of the Mexican beer industry and requested certain information as part of that review. FEMSA Cerveza is fully cooperating with the Commission.

Coca-Cola FEMSA

Net Sales

Coca-Cola FEMSA recorded net sales growth of 5.0% to Ps. 14.155 billion in 1999. Net sales growth is primarily attributable to volume growth in the combined Mexican and Buenos Aires territories and an improvement in the average price per unit case in Mexico, reflecting the cumulative effect of the price increases implemented in the Mexican Territories throughout the twelve months of the year. Coca-Cola FEMSA recorded volume growth of 4.2% in the combined Mexican Territories and an improvement in the real revenue per unit case of approximately 2.6% during 1999. Management estimates that Coca-Cola FEMSA's volumes grew ahead of the low single digit growth recorded by the soft-drink industry in Mexico, but slightly behind the Coca-Cola system in Mexico which increased by approximately 6% in 1999. Management believes that Coca-Cola FEMSA's growth lagged the growth of the Coca-Cola System in Mexico in 1999 for two reasons: (i) Coca-Cola FEMSA's more proactive efforts to increase prices in its Territories compared to other bottlers in the country and (ii) as a consequence of the difficult year-over-year comparisons faced by Coca-Cola FEMSA in 1999, resulting from superior volume growth experienced by Coca-Cola FEMSA in 1997 and 1998 relative to the growth achieved by the rest of the Coca-Cola System in Mexico for such period. Management believes the superior growth of the Coca-Cola System relative to the soft-drink industry in Mexico continues to reflect market share gains from other bottlers in the country, rather than growth in per-capitas or a significant surge in demand for soft-drinks in 1999.

VOLUME GROWTH Twelve months ended December 31, 1999 vs 1998	
	Total
Mexico	4.2%
Buenos Aires	6.5%
Total	4.7%

In the Buenos Aires Territory, Coca-Cola FEMSA recorded volume growth of 6.5% in 1999. While the economic conditions in Argentina remained unfavorable throughout the year, management believes that the overall soft-drink industry, including "price brands", grew approximately 6.5% in 1999, reflecting increasing per capita consumption of soft-drinks in Argentina. While in 1999 a large percentage of the growth in consumption went to the price brands as a result of the prevalence of difficult economic conditions in the country, management believes that Coca-Cola FEMSA is well positioned to capture an increasing share of such growing consumption, as it continues to position the Coca-Cola brands as the preferred alternative of choice for such market. Prices in the Buenos Aires Territory deteriorated during the first semester of 1999, but remained relatively stable throughout the second half of the year. Nevertheless, as compared to 1998, average revenue per unit case decreased by approximately 6.1% in 1999.

Gross Profit

Coca-Cola FEMSA's cost of goods sold decreased by 0.2% to Ps. 7.503 billion and experienced gross margin expansion of 2.4 percentage points to 47.4% of net sales in 1999. Approximately 85% of Coca-Cola FEMSA's gross profit growth is attributed to the Mexican operations. Mexico's gross profit growth reflects strong revenue growth ias well as lower per-unit case variable costs experienced in 1999. The Mexican operations benefited from significant decline in the costs of raw materials such as sugar, fructose, beverage cans and PET pre-forms both as a consequence of the real appreciation of the Peso against the Dollar, and as a result of lower commodity prices and better negotiations with mayor suppliers during 1999. The gross margin improvement in Mexico was accomplished despite continued shift in the presentation mix towards PET non-returnable presentations and higher maintenance and higher depreciation expenses. The Buenos Aires operations also experienced significant gross margin expansion mainly as a result of a decline in certain packaging and raw material costs, continued decline in fixed costs and greater production and distribution efficiencies.

MARGINS		
Twelve months ended December 31	1999	1998
Gross margin	47.4%	45.0%
Operating margin	14.5%	12.8%

All comparisons for the twelve months ended December 31,1999 in this report are made against the figures for the twelve months ended December 31, 1998

During the third quarter of 1999, Coca-Cola FEMSA Mexico charged most of the amortization expenses related to the write-off of plant equipment to the cost of goods sold. Prior to the third quarter of 1999, such amortization was recorded as other expenses, below the operating income line. Retroactive for the first and second quarters of 1999, all asset write-offs have now been recorded above the operating income line. This reclassification decreased operating profit by approximately Ps. 46 million for the twelve months of 1999. Although the reclassification decreased income from operations, it is a non-cash expense and did not affect Coca-Cola FEMSA's EBITDA or net income.

Income from Operations

Operating expenses increased by 7.8% to Ps. 4.531 billion in 1999. As a percentage of total revenues, operating expenses increased by 1.0 percentage points to 31.9%. The increase in operating expenses is primarily a result of (i) the continued implementation of information technology systems throughout Coca-Cola FEMSA's operations and consequently, related higher investment in human capital, and (ii) higher marketing and promotional expenses experienced in both territories. Coca-Cola FEMSA continues to implement innovative promotional campaigns to strengthen brand equity in Mexico and increase consumption per capita in Buenos Aires, in addition to its on-going cooler placement programs and new presentation launchings in both territories. Among the most important campaigns implemented in 1999 stand out the "hielocos" promotional campaign targeted towards kids, the silverware promotion targeted towards families, sponsorships of musical and sports events with Fanta and Sprite and the famous Christmas parade in Mexico City, accompanied with innovative holiday promotions. In Buenos Aires, Coca-Cola FEMSA also launched the "hielocos" promotion and sponsored sport and community events with Sprite and Fanta, in addition to cooler placement programs and new presentation launches. Notwithstanding the increase in operating expenses, income from operations after amortization of goodwill increased by 18.1% to Ps. 2.056 billion, reflecting (i) an increase of 17.7% in the income from operations of Coca-Cola FEMSA's Mexican operations, and (ii) an 11.5% increase in the income from operations of Coca-Cola FEMSA's Argentine operation. Coca-Cola FEMSA's operating margin increased by 1.7 percentage points to 14.5% of total revenues.

FEMSA Empaques

VOLUME GROWTH	
Twelve months ended December 31, 1999 vs 1998	
Beverage cans	6.5%
Crown caps	15.5%
Glass bottles	(13.6%)
Refrigerators	(27.6%)

Net Sales

In 1999, FEMSA Empaques experienced a 4.2% decline in net sales to Ps. 6.687 billion, despite volume growth recorded in beverage cans, crown caps, cardboard and labels. The decline in net sales recorded by FEMSA Empaques is mainly attributable to (i) the negative effect of the appreciation of the Peso against the Dollar in sales recorded for Dollar-denominated packaging products such as beverage cans and crown caps, and (ii) a decline in the volumes of glass bottles and refrigerators.

The rapid shift in the presentation mix of the soft-drink industry towards PET presentations has impacted FEMSA Empaques as follows: (i) substantially less purchases of glass bottles by Coca-Cola FEMSA, which FEMSA Empaques has tried to compensate by capturing third-party clients, although the net effect as of December 31, 1999 remains negative; and (ii) consequently, less demand for crown caps, which FEMSA Empaques has more than compensated by exporting crown caps to the United States, Canada and several other countries in Latin America. FEMSA Empaques estimates that the domestic glass beverage bottle industry declined by 8% in 1999. In addition, the same trend affecting demand for glass bottles and crown caps has affected the demand for beverage cans. Management estimates that volumes for the domestic beverage can industry experienced a decline of approximately 8%, driven primarily by a decrease in demand by the soft-drink industry (the beer industry continued to experience growth in the mix of the can presentation). FEMSA Empaques' beverage can volume increased by 6.5% and domestic dollar prices decreased by approximately 3.2% in 1999, reflecting the reduction in the cost of aluminum. Prices of other FEMSA Empaques main products either remained stable or slightly decreased in real terms.

The previously mentioned trends impacted FEMSA Empaques' sales volumes during 1999, which, on top of the fact that prices of FEMSA Empaques' metallic products are quoted in dollars, resulted in a decline in FEMSA Empaques net sales during 1999. Management believes that the domestic refrigeration industry has also experienced a significant decline in demand of beverage companies in 1999 partially reflecting saturation in some markets and tighter capital expenditure budgets of the beverage companies in general compared with the budgets of 1998. Export revenues decreased by 13.2% to Ps. 550 million and represented 8.2% of net sales. In Dollar terms, export revenues decreased by 2.1% to US$55 million. The decline in export revenues is primarily attributable to the decline in the export volumes of beverage cans and can lids, reflecting increased competition in the markets FEMSA Empaques exports to, which makes exports less attractive given the high freight costs incurred in transporting beverage cans.

MARGINS		
Twelve months ended December 31	1999	1998
Gross margin	25.8%	25.7%
Operating margin before management fees	16.9%	17.0%

Gross Profit

FEMSA Empaques' cost of goods sold decreased by 4.5% to Ps. 4.991 billion and the gross profit margin remained relatively stable at 25.8% of net sales. Gross profit decreased by 3.8% reflecting (i) a decline in net sales, (ii) a decline in the gross margin of the beverage can and crown cap operations as a result of the appreciation of the Peso against the Dollar and (ii) lower absorption of fixed costs as a consequence of the decline in volumes of certain products, in particular glass bottles. FEMSA Empaques has partially compensated the decline in net sales with cost reduction measures, which have effectively mitigated the impact of such decline in the gross margin.

Income from Operations

Operating expenses decreased by 2.4% to Ps. 587 million and remained relatively constant as a percentage of total revenues at 8.7% compared to last year. Income from operations before deduction of management fees

All comparisons for the twelve months ended December 31,1999 in this report are made against the figures for the twelve months ended December 31, 1998

decreased by 4.4% to Ps. 1.138 million, primarily reflecting the decline in net sales and in gross profit. The operating margin for products whose sales prices are quoted in Dollars, such as beverage cans and crown caps, have a tendency to contract when the Peso appreciates in real terms, and to expand when the Peso depreciates in real terms, reflecting the fact that the cost and expense structure for such products, with the exception of the raw materials, is denominated in Pesos. Notwithstanding the prevalence of a strong Peso exchange rate environment throughout 1999 (which affected the profitability of the metallic business units) management believes that the improvement in profitability experienced over the second semester of 1999, was primarily attributable to growth in sales to FEMSA Cerveza, since one of the principal variables which drives demand for packaging products, is the growth in FEMSA Cerveza's volumes. FEMSA Empaques recorded an operating margin before deduction of management fees of 16.9% in 1999 compared with a 17.0% recorded in 1998.

FEMSA Comercio

OPERATING HIGHLIGHTS % Change Twelve months ended December 31, 1999 vs 1998	
Total stores	1,197
New stores	197
Net sales	19.3%
Same store sales	7.2%
Income from operations Before management fees	45.8%

Net Sales

FEMSA Comercio's net sales increased by 19.3% to Ps. 5.595 billion. This compares with an approximate 6.5% total revenue growth recorded by the organized retail industry in Mexico according to ANTAD. Management believes that the faster pace of growth of the Oxxo Chain relative to the industry is primarily attributable to (i) a faster expansion of selling space, (ii) higher growth in same store sales, and (iii) larger increase in traffic and ticket per customer experienced by Oxxo in 1999, compared to the rest of the organized retail industry.

The Oxxo chain added a total of 197 net new stores during 1999. Management believes that the fast pace of growth in the Oxxo chain has translated into market share gains primarily from the unorganized or informal retail commerce in Mexico. In addition, Oxxo's average same store sales increased by 7.2% in 1999, compared to average same store sales of approximately 0.5% recorded by the industry, according to the latest figures reported by ANTAD for 1999. Management attributes the relatively higher same store sales growth recorded by Oxxo relative to the industry to (i) stronger demand for high frequency products such as beverages, snacks and cigarettes, relative to the demand for other retail products not sold by Oxxo such as appliances, clothing and other merchandise; (ii) growth in traffic as a result of more continuous and more aggressive promotional campaigns; and (iii) rapid maturity of the 130 new stores opened in 1998.

Gross Profit

FEMSA Comercio recorded gross profit of Ps. 1.392 billion, a 18.6% gain over 1998. The gross margin remained relatively constant at 24.9% of net sales, despite continuous promotional efforts throughout the year, as a result of increased economies of scale and improved purchasing power with suppliers. Management believes that FEMSA Comercio's gross margin going forward should stabilize at similar levels as compared to 1998.

MARGINS		
Twelve months ended December 31	1999	1998
Gross margin	24.9%	25.0%
Operating margin before management fees	4.5%	3.7%

Income from Operations

Operating expenses increased by 13.9% to Ps. 1.139 billion and decreased as a percentage of total revenues to 20.4% from 21.3% recorded in 1998. The increase in operating expenses is primarily attributable to (i) an increase in the number of stores, and (ii) a slightly larger corporate infrastructure as a consequence of the significant growth in the size of the chain. Average expenditure per store continues to decline reflecting efficiencies in store management and operating processes of the Oxxo chain. In addition, FEMSA Comercio increased its radio advertising and point of sale marketing efforts during 1999 to continue building brand equity for the Oxxo Chain. FEMSA Comercio recorded income from operations before deduction of management fees of Ps. 253 million in 1999, an increase of 45.8% relative to 1998. FEMSA Comercio's operating margin before management fees increased by 0.8 percentage points to 4.5% of total revenues.

FEMSA is Mexico's largest and one of Latin America's leading beverage companies 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, commercial refrigerators, and serves third party clients throughout the Americas; FEMSA Comercio, which operates OXXO, Mexico's most extensive chain of convenience stores; Desarrollo Comercial FEMSA, which operates OXXO Express, which operates convenience stores adjacent to gasoline stations, Logistica CCM which provides logistic management services to FEMSA Cerveza and FEMSA Logística, which provides logistics management services to Coca-Cola FEMSA, FEMSA Empaques, and recently third party clients.

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Four pages of tables to follow

All comparisons for the twelve months ended December 31,1999 in this report are made against the figures for the twelve months ended December 31, 1998

Income Statement

For the fourth quarter ended December 31, 1999 and 1998

Millons of period end pesos of December 31, 1999

	FEMSA Cerveza		Coca-Cola FEMSA		FEMSA Empaques		FEMSA Comercio		Amoxxo		FEMSA Logística		FEMSA Consolidated	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Net sales	4,415.0	3,946.5	3,837.0	3,722.1	1,809.7	1,862.5	1,519.8	1,231.0	360.0	324.9	320.8	285.5	10,437	9,943
Other revenues	17.9	37.9	21.1	29.4	12.6	12.0	0.0	0.0	0.0	0.0	0.0	0.0	25	42
Total revenues	4,432.9	3,984.4	3,858.1	3,751.5	1,822.3	1,874.5	1,519.8	1,231.0	360.0	324.9	320.8	285.5	10,462	9,985
Cost of good sold	1,960.7	2,039.8	1,953.9	2,073.7	1,319.3	1,388.2	1,143.0	900.7	327.9	297.2	284.3	243.2	5,128	5,491
Gross margin	2,472.2	1,944.6	1,904.2	1,677.8	503.0	486.3	376.8	330.3	32.1	27.7	36.5	42.3	5,334	4,494
Operating expenses	1,703.5	1,407.7	1,183.8	1,132.5	154.3	153.9	295.2	264.8	45.2	47.5	16.2	19.1	3,541	3,145
Operating income	768.7	536.9	720.4	545.3	348.7	332.4	81.6	65.5	(13.1)	(19.8)	20.3	23.2	1,793	1,349
L-USA/Goodwill	20.6	4.8	(28.5)	(31.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21	5
Comparable EBIT	789.3	541.7	691.9	513.6	348.7	332.4	81.6	65.5	(13.1)	(19.8)	20.3	23.2	1,814	1,354
Management fee	70.5	113.5	0.0	0.0	58.3	18.7	9.2	3.7	0.0	0.0	0.0	(0.8)	-	-
Total EBIT	718.8	428.2	691.9	513.6	290.4	313.7	72.4	61.8	(13.1)	(19.8)	20.3	24.0	1,814	1,354
Depreciation	185.2	140.0	135.8	141.5	59.7	61.0	10.2	10.3	1.6	0.6	11.8	11.3	408	365
Other non-cash charges	218.8	200.6	129.5	86.7	15.9	7.8	11.4	10.8	3.0	3.1	0.8	2.3	386	309
EBITDA	1,122.8	768.8	957.2	741.8	366.0	382.5	94.0	82.9	(8.5)	(16.1)	32.9	37.6	2,608	2,028
Comparable														
EBIT/Revenues	17.8	13.6	17.9	13.7	19.1	17.7	5.4	5.3	(3.6)	(6.1)	6.3	8.1	17.3	13.5
EBITDA/Revenues	26.9	22.1	24.8	19.8	23.3	21.4	6.8	7.0	(2.4)	(5.0)	10.3	12.9	24.9	20.3
Total														
EBIT/Revenues	16.2	10.7	17.9	13.7	15.9	16.7	4.8	5.0	(3.6)	(6.1)	6.3	8.4	17.3	13.5
EBITDA/Revenues	25.3	19.3	24.8	19.8	20.1	20.4	6.2	6.7	(2.4)	(5.0)	10.3	13.2	24.9	20.3
Capital Expenditures (1)	657.6	521.3	264.6	440.1	(11.1)	172.8	123.4	110.1	(13.8)	18.8	13.7	(6.9)	1,015.4	1,209.5

(1) Include property, plant and equipment + deferred charges

All comparisons for the twelve months ended December 31,1999 in this report are made against the figures for the twelve months ended December 31, 1998

Income Statement

For the twelve months ended December 31, 1999 and 1998

Millons of year end pesos of December 31, 1999

	FEMSA Cerveza		Coca-Cola FEMSA		FEMSA Empaques		FEMSA Comercio		Amoxxo		FEMSA Logística		FEMSA Consolidated	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Net sales	15,935.5	14,821.2	14,155.0	13,481.3	6,687.4	6,983.0	5,595.1	4,690.7	1,341.6	1,052.9	1,203.4	983.3	38,526	36,753
Other revenues	99.7	85.4	52.4	108.7	28.5	36.5	0.0	0.0	0.0	0.0	0.0	0.0	101	173
Total revenues	16,035.2	14,906.6	14,207.4	13,590.0	6,715.9	7,019.5	5,595.1	4,690.7	1,341.6	1,052.9	1,203.4	983.3	38,627	36,926
Cost of good sold	7,334.2	7,416.4	7,503.3	7,520.0	4,991.4	5,227.8	4,202.7	3,516.7	1,222.6	960.2	1,030.2	833.9	19,769	20,160
Gross margin	8,701.0	7,490.2	6,704.1	6,070.0	1,724.5	1,791.7	1,392.4	1,174.0	119.0	92.7	173.2	149.4	18,858	16,766
Operating expenses	5,825.4	5,114.0	4,530.6	4,203.6	586.6	601.3	1,139.1	1,000.3	131.7	149.7	72.2	63.9	12,862	11,566
Operating income	2,875.6	2,376.2	2,173.5	1,866.4	1,137.9	1,190.4	253.3	173.7	(12.7)	(57.0)	101.0	85.5	5,996	5,200
L-USA/Goodwill	48.7	58.9	(117.7)	(125.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49	59
Comparable EBIT	2,924.3	2,435.1	2,055.8	1,741.1	1,137.9	1,190.4	253.3	173.7	(12.7)	(57.0)	101.0	85.5	6,045	5,259
Management fee	293.7	247.0	0.0	0.0	107.2	70.2	21.4	14.1	0.0	0.0	0.0	5.5	-	-
Total EBIT	2,630.6	2,188.1	2,055.8	1,741.1	1,030.7	1,120.2	231.9	159.6	(12.7)	(57.0)	101.0	80.0	6,045	5,259
Depreciation	765.5	714.3	568.8	436.4	243.0	246.3	46.1	43.5	6.5	4.1	46.7	43.4	1,685	1,495
Other non-cash charges	678.5	599.8	511.3	439.5	36.4	21.4	38.2	38.2	11.8	11.4	3.1	2.9	1,298	1,121
EBITDA	4,074.6	3,502.2	3,135.9	2,617.0	1,310.1	1,387.9	316.2	241.3	5.6	(41.5)	150.8	126.3	9,028	7,875

Comparable

EBIT/Revenues	18.2	16.3	14.5	12.8	16.9	17.0	4.5	3.7	(0.9)	(5.4)	8.4	8.7	15.6	14.2
EBITDA/Revenues	27.2	25.2	22.1	19.3	21.1	20.8	6.0	5.4	0.4	(3.9)	12.5	13.4	23.4	21.3

Total

EBIT/Revenues	16.4	14.7	14.5	12.8	15.3	16.0	4.1	3.4	(0.9)	(5.4)	8.4	8.1	15.6	14.2
EBITDA/Revenues	25.4	23.5	22.1	19.3	19.5	19.8	5.7	5.1	0.4	(3.9)	12.5	12.8	23.4	21.3

Capital Expenditures (1)	2,273.5	1,940.0	854.7	1,570.0	123.5	599.0	321.4	198.0	2.5	92.0	68.2	188.0	3,594.8	4,629.0

(1) Include property, plant and equipment + deferred charges

All comparisons for the twelve months ended December 31,1999 in this report are made against the figures for the twelve months ended December 31, 1998

FEMSA

OPERATING DATA

For the fourth quarter and twelve months ended December 31, 1999 and 1998

FEMSA Cerveza

Shipments (Thousand hectoliters)		Fourth quarter of: 1999	1998	%Var	Twelve months ended December 31, of: 1999	1998	%Var
Domestic:							
Returnable		4,391	4,158	5.6	17,306	16,859	2.7
Non-returnable		214	175	22.1	757	672	12.6
Cans		1,132	1,008	12.3	4,035	3,685	9.5
Total Domestic		5,737	5,341	7.4	22,098	21,216	4.2
Exports		319	287	11.2	1,511	1,322	14.3
Total Volume		6,056	5,627	7.6	23,609	22,537	4.8
Exports revenues:	Millions Ps.	204.2	220.9	(7.6)	1,004.4	993.0	1.1
	US Millions	21.2	19.3	9.8	100.6	88.0	14.3

Coca-Cola FEMSA

Sales Volumes (Millions of Unit Cases)	Fourth quarter of: 1999	1998	%Var	Twelve months ended December 31, of: 1999	1998	%Var
Mexico	105.9	103.1	2.8	418.1	401.2	4.2
Buenos Aires	38.3	37.1	3.0	126.1	118.4	6.5
Total	144.2	140.2	2.8	544.2	519.6	4.7

Presentation Mix (%) (Returnable/Non-Returnable)	Fourth quarter of: 1999	1998	Twelve months ended December 31, of: 1999	1998
Valley of Mexico	44/56	47/53	45/56	51/49
Buenos Aires	10/90	9/91	10/90	11/89
Total	35/65	37/63	37/63	42/58

Product Mix (%) (Colas/Flavors/Water)	Fourth quarter of: 1999	1998	Twelve months ended December 31, of: 1999	1998
Valley of Mexico	76/22/02	77/21/02	76/22/02	75/22/03
Buenos Aires	75/24/01	76/23/01	76/23/01	77/22/01
Total	76/22/02	77/21/02	76/22/02	75/22/03

FEMSA Empaque

Total Sales Volume (Millions of pieces)		Fourth quarter of: 1999	1998	%Var	Twelve months ended December 31, of: 1999	1998	%Var
Cans		873	803	8.7	3,216	3,020	6.5
Crown caps		3,089	2,887	7.0	12,765	11,048	15.5
Glass Bottles		237	247	(4.0)	855	990	(13.6)
Cardboard boxes (Ths m2)		31,571	26,986	17.0	107,198	98,283	9.1
Refrigerators (Ths)		16	16	-	97	134	(27.6)
Labels		1,132	864	31.0	4,365	3,608	21.0
Export volumes:	Cans	68	83	(18.1)	198	303	(34.7)
	Crown caps	1,285	1,020	26.0	5,403	3,414	58.3
	Can lids	203	204	(0.5)	422	559	(24.5)
Exports revenues:	Millions Ps.	157.8	182.7	(13.6)	549.9	633.5	(13.2)
	US Millions	16.3	15.9	2.5	54.9	56.1	(2.1)

Percentage of sales revenue by client category:

	Fourth quarter of: 1999	1998	Var p.p.	Twelve months ended December 31, of: 1999	1998	Var p.p.
Intercompany sales	55.9	53.1	2.8	51.8	53.3	(1.5)
FEMSA Cerveza	45.9	42.1	3.8	40.2	36.2	4.0
Coca-Cola FEMSA	10.0	11.0	(1.0)	11.6	17.0	(5.4)
Third-party sales	44.0	46.9	(2.9)	48.2	46.7	1.5
Domestic	35.5	37.3	(1.8)	40.2	38.1	2.2
Export	8.5	9.6	(1.1)	8.0	8.7	(0.7)
Total	99.9	100.0		100.0	100.0	

FEMSA Comercio

	Fourth quarter of: 1999	1998	%Var	Twelve months ended December 31, of: 1999	1998	%Var
Total stores				1,197	1,000	19.7
Comparative same stores:						
Average monthly sales (Ths. Ps.)	443.4	413.6	7.2	434.7	405.3	7.2
Average ticket per customer (Ps.)	18.9	18.4	3.2	18.4	17.7	3.9
Average monthly traffic per store (Ths.)	23.4	22.5	3.9	23.6	22.9	3.3

All comparisons for the twelve months ended December 31,1999 in this report are made against the figures for the twelve months ended December 31, 1998

FEMSA

CONSOLIDATED INCOME STATEMENT

For the fourth quarter and twelve months ended December 31, 1999 and 1998

Expressed in Millions of Pesos as of December 31, 1999

	Fourth quarter of:			Twelve months ended December 31, of:		
	1999	1998	%Var	1999	1998	%Var
Net sales	10,437	9,943	5.0	38,526	36,753	4.8
Other operating revenues	25	42	(40.5)	101	173	(41.6)
Total revenues	10,462	9,985	4.8	38,627	36,926	4.6
Cost of sales	5,128	5,491	(6.6)	19,769	20,160	(1.9)
Gross profit	5,334	4,494	18.7	18,858	16,766	12.5
Administrative expenses	892	799	11.6	3,275	2,882	13.6
Selling expenses	2,649	2,346	12.9	9,587	8,684	10.4
Operating expenses	3,541	3,145	12.6	12,862	11,566	11.2
	1,793	1,349	32.9	5,996	5,200	15.3
Participation in affiliated companies	21	5	320.0	49	59	(16.9)
Income from operations	1,814	1,354	34.0	6,045	5,259	14.9
Interest expense	274	289	(5.2)	1,002	1,237	(19.0)
Interest income	(81)	(128)	(36.7)	(399)	(391)	2.0
Interest expense, net	193	161	19.9	603	846	(28.7)
Foreign exchange loss (gain)	176	(189)	(193.1)	(112)	1,677	(106.7)
Gain on monetary position	(122)	(339)	(64.0)	(436)	(1,015)	(57.0)
Integral result of financing	247	(367)	(167.3)	55	1,508	(96.4)
Other expenses	136	212	(35.8)	230	517	(55.5)
Income before taxes	1,431	1,509	(5.2)	5,760	3,234	78.1
Taxes	420	294	42.9	1,852	975	89.9
Net Income	1,011	1,215	(16.8)	3,908	2,259	73.0
Majority net income	733	1,041	(29.6)	2,930	1,514	93.5
Minority net income	278	174	59.8	978	745	31.3

	% Total Revenues					
	1999	1998	Var P.P.	1999	1998	Var P.P.
Net sales	99.8	99.6	0.2	99.7	99.5	0.2
Other operating revenues	0.2	0.4	(0.2)	0.3	0.5	(0.2)
Total revenues	100.0	100.0	-	100.0	100.0	-
Cost of sales (*)	49.1	55.2	(6.1)	51.3	54.9	(3.6)
Gross profit (*)	51.1	45.2	5.9	48.9	45.6	3.3
Administrative expenses	8.5	8.0	0.5	8.5	7.8	0.7
Sales expenses	25.3	23.5	1.8	24.8	23.5	1.3
Operating expenses	33.8	31.5	2.3	33.3	31.3	2.0
	17.1	13.5	3.6	15.5	14.1	1.4
Participation in affiliated companies	0.2	0.1	0.1	0.1	0.2	(0.1)
Income from operations	17.3	13.6	3.7	15.6	14.3	1.3

(*) % to Net sales

CONSOLIDATED BALANCE SHEET

As of December 31, 1999 and 1998

Expressed in Millions of Pesos as of December 31, 1999

ASSETS	1999	1998	% Var
Cash and cash equivalents	2,598	2,462	5.5
Accounts receivable	2,856	2,713	5.3
Inventories	3,836	3,494	9.8
Prepaid expenses	430	389	10.5
Total Current Assets	9,720	9,058	7.3
Property, plant and equipment, net	25,422	26,240	(3.1)
Deferred charges and other assets	5,334	5,299	0.7
TOTAL ASSETS	40,476	40,597	(0.3)
LIABILITIES & STOCKHOLDERS´ EQUITY			
Bank loans	821	2,687	(69.4)
Current maturities long term debt	1,469	304	383.2
Interest payable	137	151	(9.3)
Operating liabilities	5,025	4,186	20.0
Total Current Liabilities	7,452	7,328	1.7
Bank loans	6,684	8,344	(19.9)
Labor liabilities	493	897	(45.0)
Other liabilities	324	147	120.4
Total Liabilities	14,953	16,716	(10.5)
Minority Interest	7,628	7,528	1.3
Majority Interest	17,895	16,353	9.4
Total Stockholders' equity	25,523	23,881	6.9
LIABILITIES & STOCKHOLDERS' EQUITY	40,476	40,597	(0.3)

FINANCIAL RATIOS			
Liquidity	1.30	1.24	0.07
Debt service coverage (*)	14.97	9.31	5.66
Leverage	0.59	0.70	(0.11)
Capitalization	0.28	0.35	(0.07)

(*) Income from operations + depreciation + other non-cash charges / interest expense, net