



# FEMSA

UBS CEO Round Table

March 9, 2006



FMX  
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NYSE

# Safe Harbor Statement

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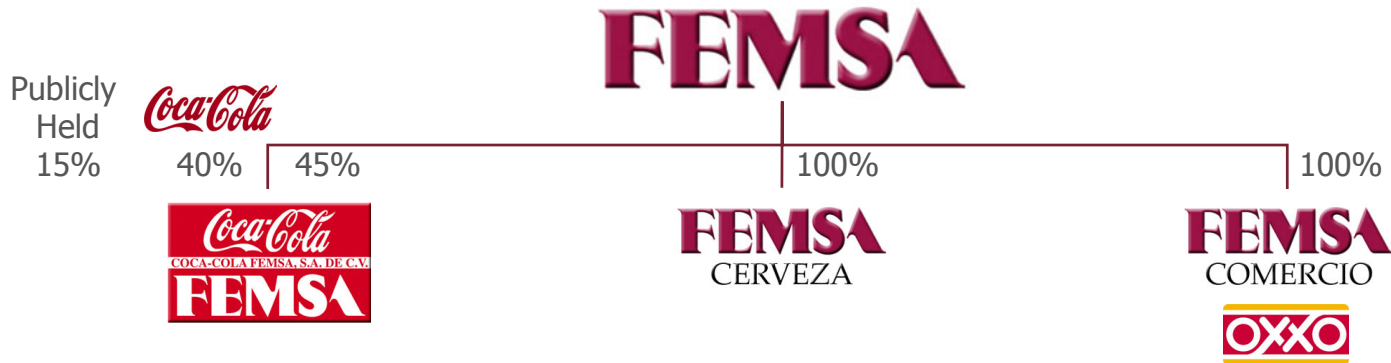
During this presentation management may discuss certain forward-looking statements concerning FEMSA's future performance that should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data.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

# FEMSA Investment Highlights

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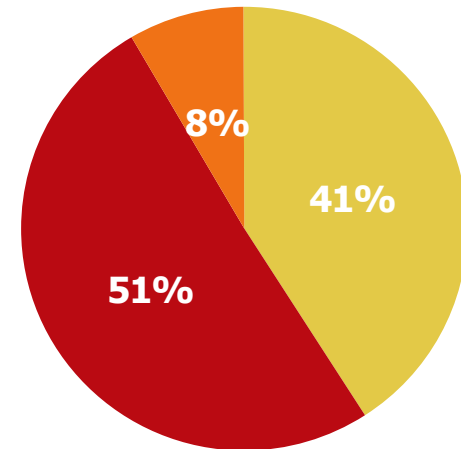
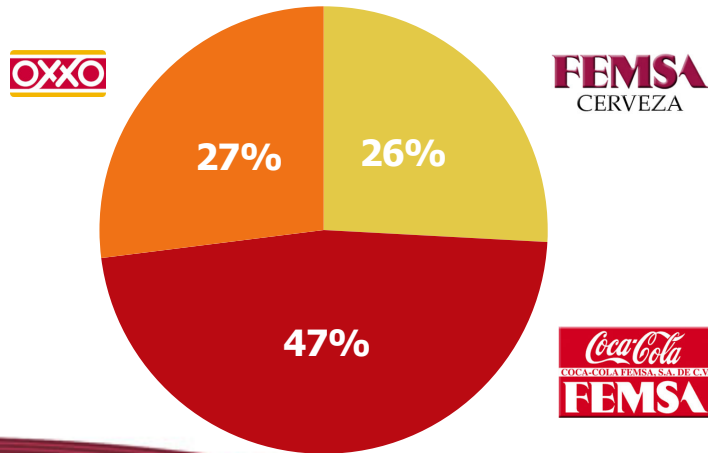
- Largest beverage company in Latin America
- Proven track record of profitable growth
- Leading market position with strong brands
- Significant growth potential in our markets
- Creating synergies within our beverage platform

# A Unique Beverage Platform...



Total Revenue = US\$ 9,857 million

EBITDA = US\$ 2,103 million



Note: Mexican pesos converted into dollars at an exchange rate of 10.71 per 1 US\$ as of Dec 31, 2005.  
Pie chart excludes Other Business Segment.

# ... with a Continental Footprint

## Production

- *30 bottling plants*
- *14 breweries*
- *8 packaging plants*

## Marketing

- *64 soft drink brands*
- *23 beer brands*

## Distribution

- *677 distribution facilities*
- *9,000+ routes*

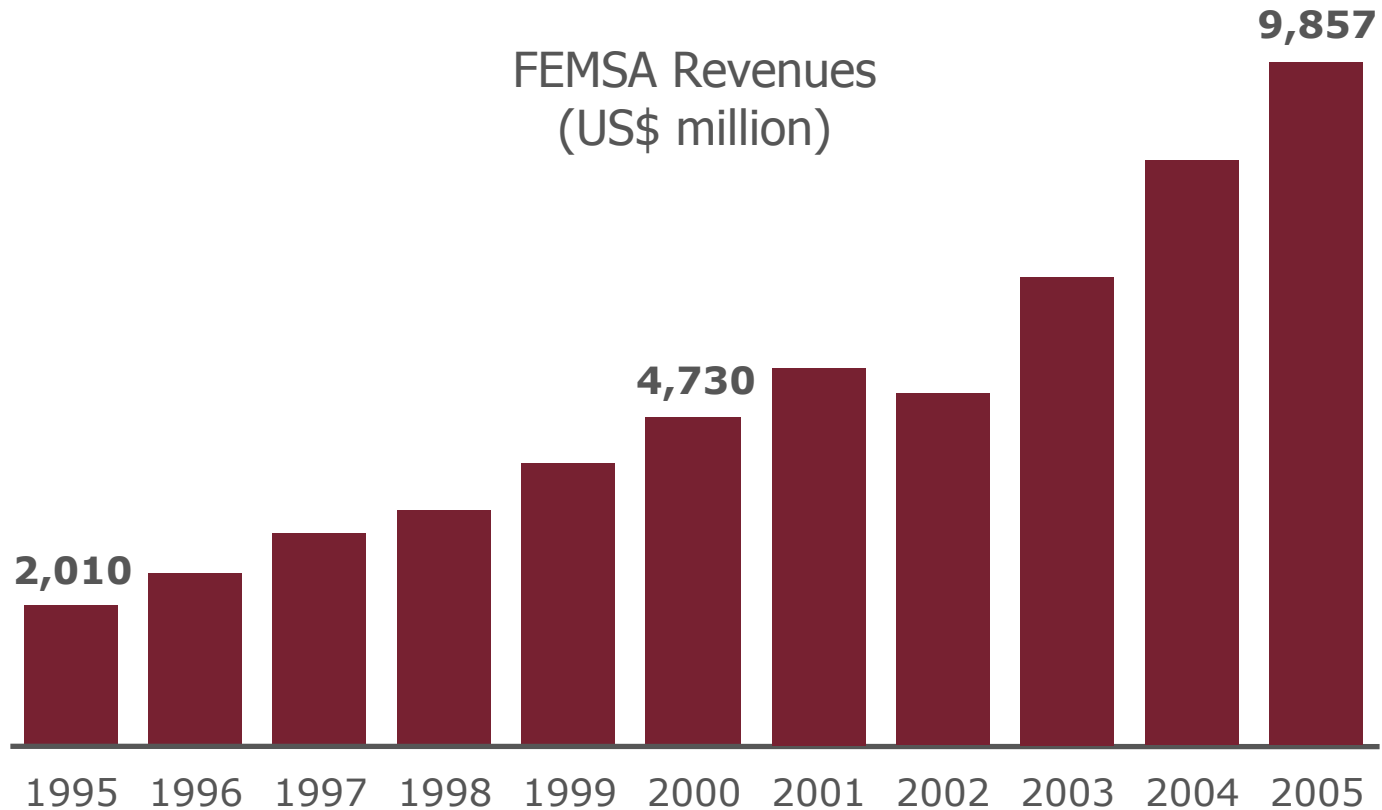
## Consumers

- *1.8 mm+ retailers*
- *200 mm+ consumers*



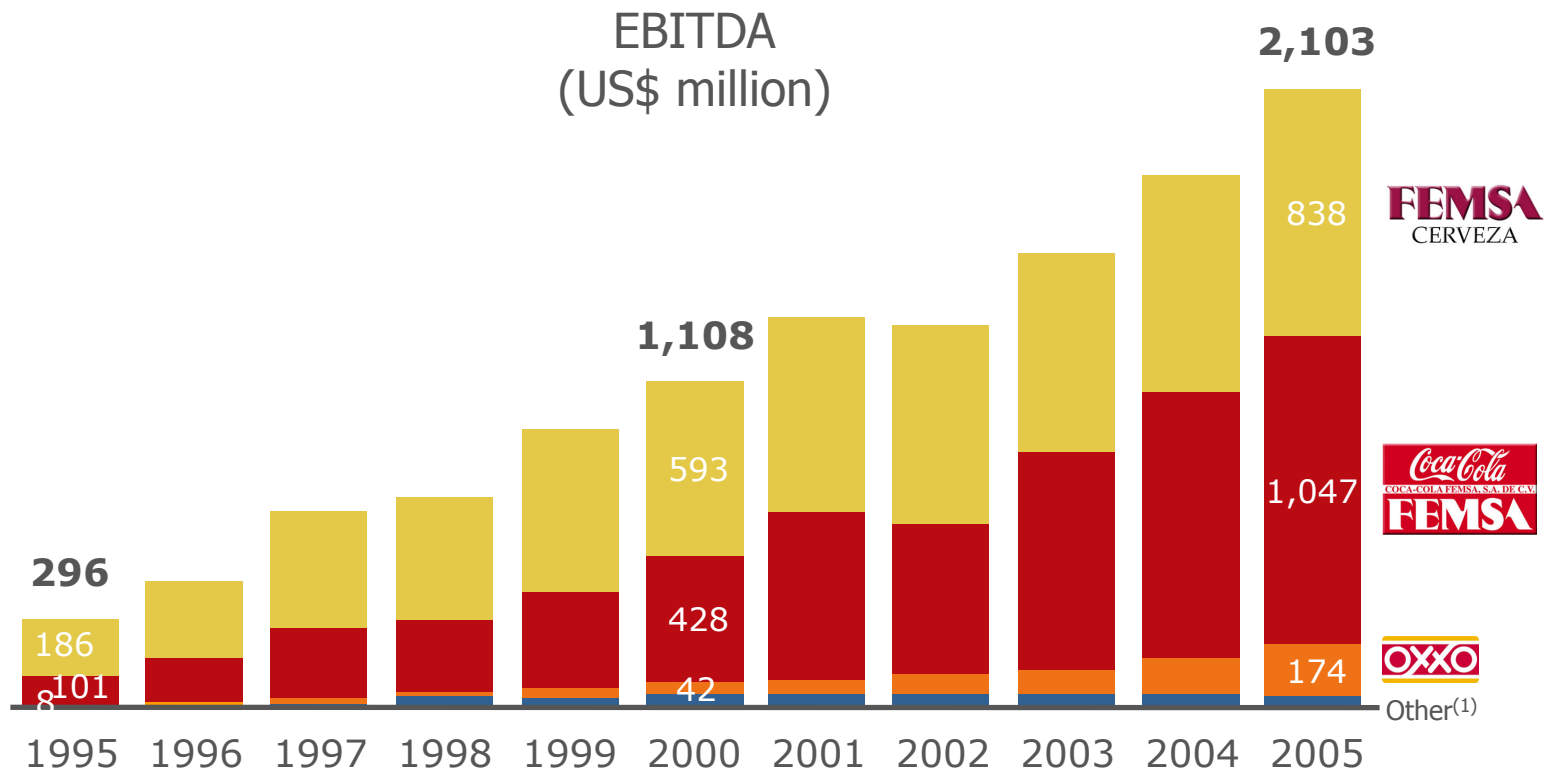
# Double-Digit Growth in the Top Line...

**CAGR of 17% since 1995**



# ... and in Profitability...

**CAGR of 22% since 1995**



Note: All figures are in nominal Mexican pesos as of the reported year and converted into US\$ for the respective year end exchange rate.

<sup>(1)</sup> Other includes non-core packaging and logistics businesses.



**FEMSA** CERVEZA

**Changing the Rules  
of the Game**



## **Opportunity for continued profitable growth**

- Two well-positioned, rational players
- Image driven brands with high customer loyalty
- Fragmented channels and/or high permit costs
- Predominantly returnable bottles
- Small import category
- Largely off-premise sales and low relevance of supermarkets
- Favorable demographics
- Room to grow per caps (upsizing and expansion of consumer segments)

## Strategic initiatives are on track – capturing market opportunities

- First mover to build a new business model
- Components of new business model:
  - I. Sales and distribution capabilities
    - ✓ Pre-sell
    - ✓ ERP in 95% of direct sales
    - ✓ 25 “Business Units”
  - II. Organization
    - ✓ De-centralization
    - ✓ Services office vs. Central Office
    - ✓ Key Performance Indicators
    - ✓ Continuous training and motivation
  - III. Marketing and innovation
    - ✓ Portfolio strategy
    - ✓ New liquids and packaging
    - ✓ Enhanced brands
  - IV. Revenue management
    - ✓ Pricing architecture
    - ✓ Channel segmentation
    - ✓ Temporary promotions

# Oriented to Profitable Growth

FEMSA CERVEZA

**Since 1995 revenues have increased at a CAGR of 11%,  
EBITDA at 16% in dollar terms**

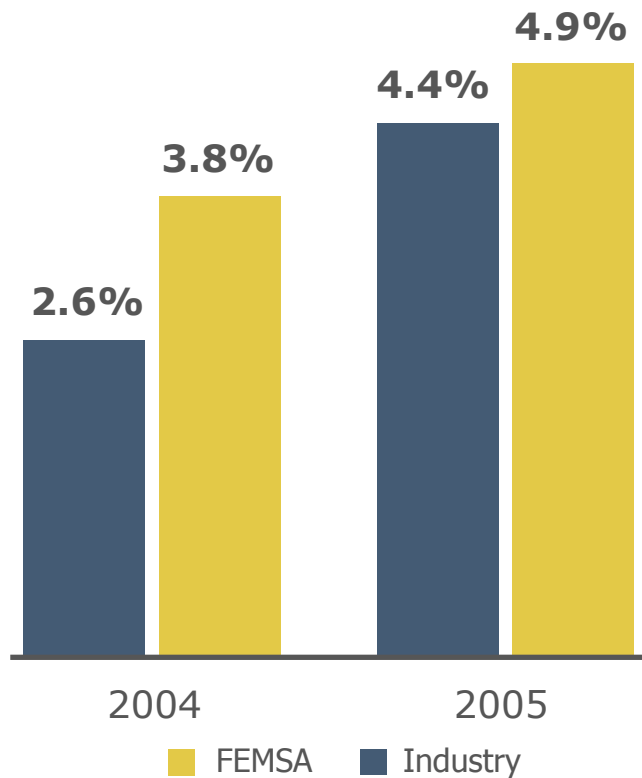
	US\$ million	
	1995	2005
Revenues	950	2,574
EBITDA	186	838

**... with operating margin expansion every single year**

# Outpacing Industry Growth

FEMSA CERVEZA

## FEMSA Domestic Volume Growth vs. Industry

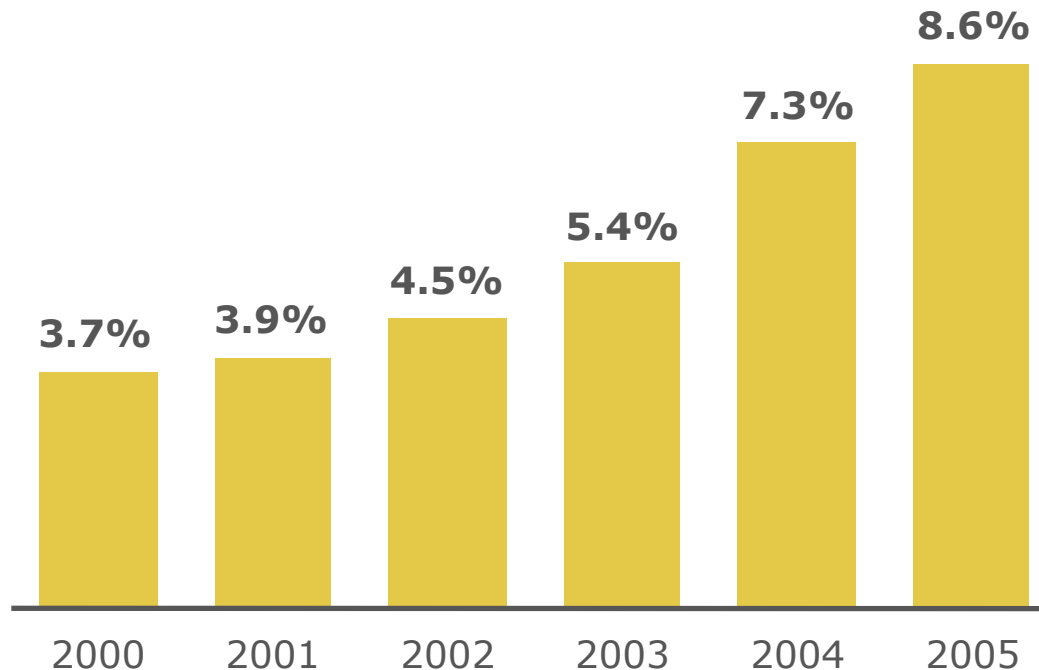


## FEMSA Domestic Price in-line with inflation

Price per hl	1Q04	4Q05	Chg
Real	899.6	900.6	+0.1%
Nominal	840.1	900.6	+7.2%

## Beer volume sold in Oxxo has nearly tripled in last 5 yrs

Percentage of Total Beer Sales



# ... and finding synergies across FEMSA

FEMSA CERVEZA

- Procurement and Logistics
  - Centralized categories
  - Primary distribution and maintenance shops
- Human Resources
  - Key staff changes
  - Unified HR systems and processes
- Information Technology
  - Hardware, servers and technical support
- Other Projects
  - Shared Services Center for administrative tasks
  - Market Intelligence

## **Sales volumes growing ahead of domestic volumes and Higher profitability than before**

- Continued focus on a few key markets
- Successful transition in the U.S. with Heineken
  - 2005 sales volume up 8.2% in the U.S.
  - New wholesalers and key national accounts
  - Favorable outlook for 2006
- New Commercial agreements for Canada and the UK
  - Sleeman Breweries in Canada (starting in '06)
  - Coors in the UK (Oct '05)

## **Since January, we have made significant progress:**

- Held successful meetings with all Brazilian Coke bottlers
- Completed beer sales training for KOF sales force
- Developed working teams with FEMSA management at Kaiser
- Closed Kaiser sales and distribution center in Sao Paulo
- Held meetings with key government officials, other clients, and suppliers
- Initial phase of analyzing and developing a stronger, more balanced portfolio of brands



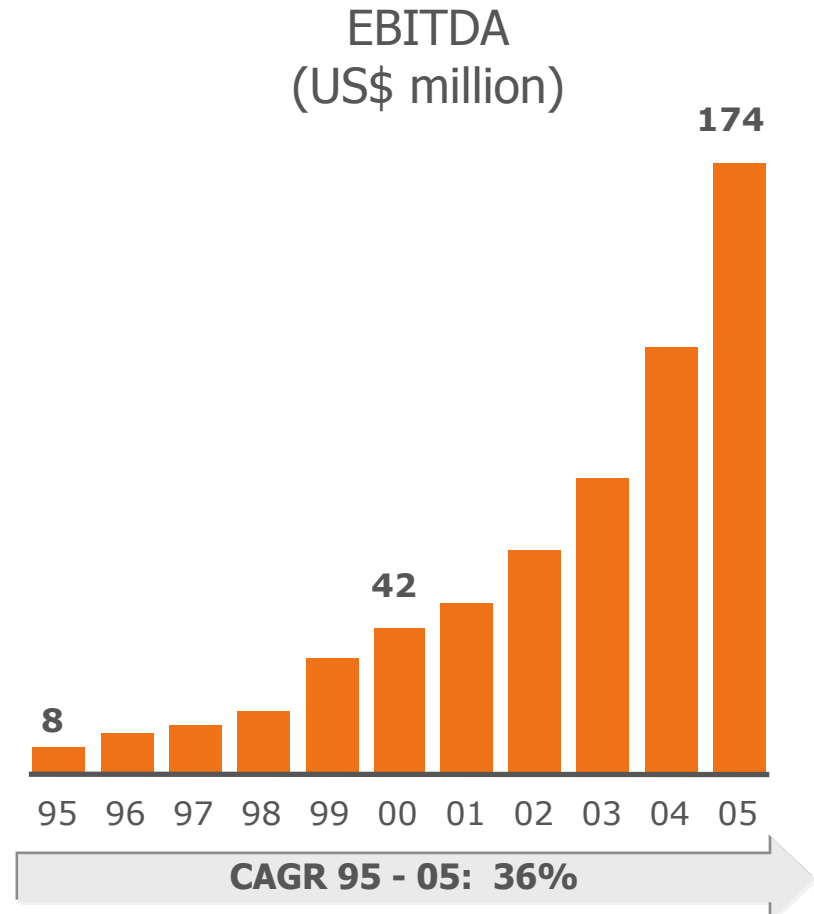
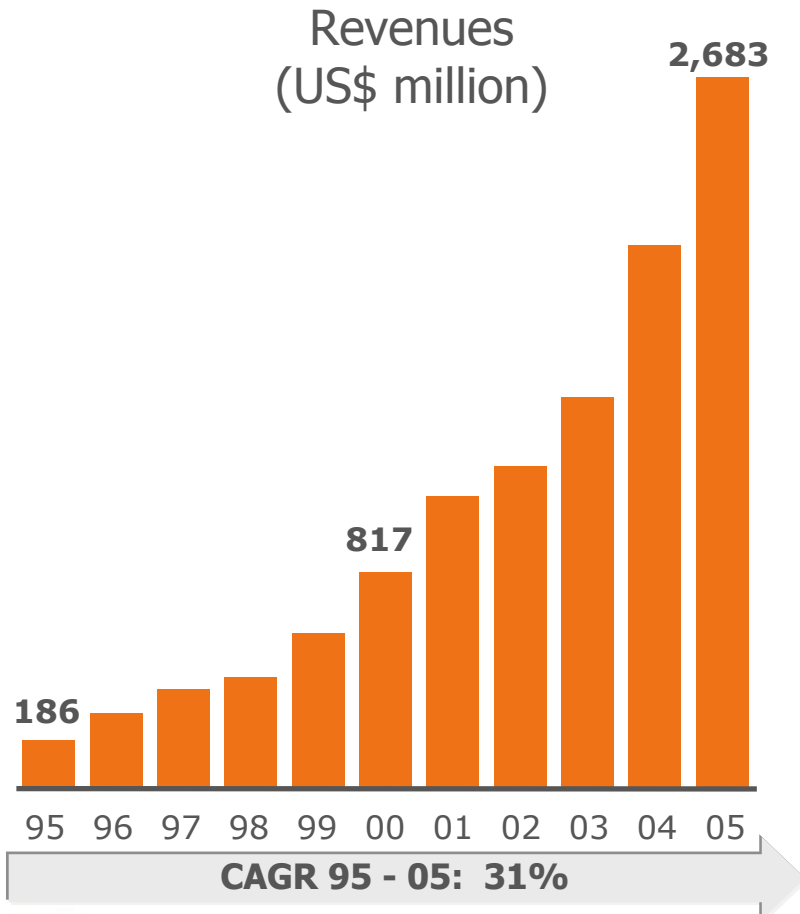
**FEMSA** COMERCIO

**Mexico's Fastest Growing  
Convenience Store Chain**



# Track Record Of Consistent Profitable Growth

FEMSA COMERCIO



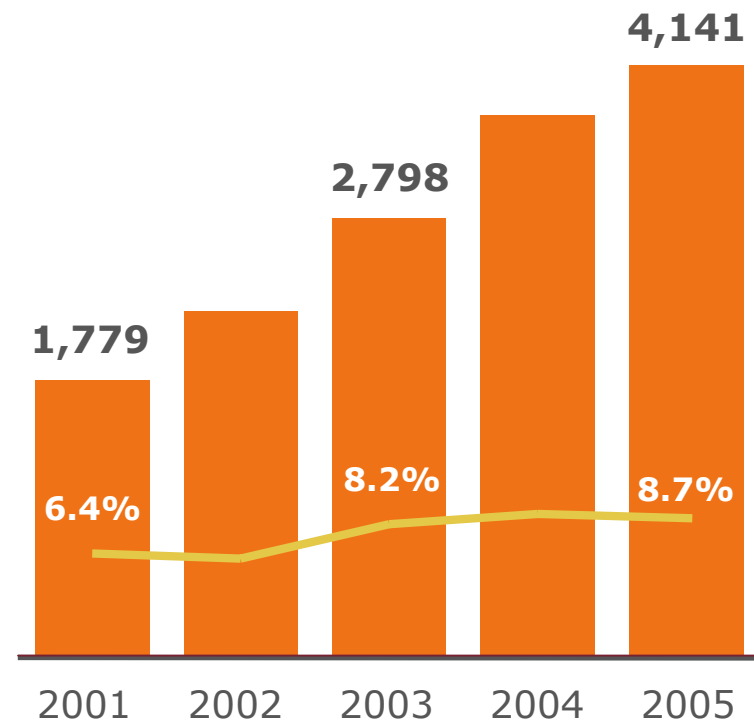
**FEMSA**

# Oxxo's Role in FEMSA's Beverage Strategy

FEMSA COMERCIO

- Opening a new store every 13 hours
- Largest client of Cerveza and KOF
  - 2x more beer sales than all supermarkets combined
  - 38% of sales from beverages
- Oxxo/Cerveza joint site selection

Number of Stores and Same Store Sales Growth



## **Maintain scale leadership while enhancing the value proposition at every store**

- Open more than 600 stores per year
- Leverage expertise for optimal store location
- Deploy new IT systems throughout the chain
- Invest in direct distribution capabilities
- Adjust and expand the product offering
- Develop unmatched promotions
- Increase profit streams (services, fast-food, etc.)

# FEMISA

# EBITDA Reconciliation By Division

In US\$ millions

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>FEMSA Consolidated</b>											
Income From Operations	160	240	440	479	627	736	948	907	1,078	1,238	1,455
Depreciation	84	99	124	121	175	202	204	209	233	271	387
Amortiation and Other	<u>52</u>	<u>89</u>	<u>107</u>	<u>115</u>	<u>143</u>	<u>170</u>	<u>177</u>	<u>181</u>	<u>232</u>	<u>302</u>	<u>260</u>
EBITDA	296	428	670	715	946	1,108	1,329	1,298	1,543	1,812	2,103
<b>FEMSA Cerveza</b>											
Income From Operations	107	156	282	281	368	372	414	390	379	426	500
Depreciation	53	66	79	75	99	111	123	128	126	132	138
Amortiation and Other	<u>26</u>	<u>34</u>	<u>35</u>	<u>60</u>	<u>81</u>	<u>111</u>	<u>126</u>	<u>153</u>	<u>166</u>	<u>182</u>	<u>200</u>
EBITDA	186	255	396	416	548	593	663	670	671	740	838
<b>Coca-Cola FEMSA</b>											
Income From Operations	53	82	150	161	217	305	468	425	597	691	811
Depreciation	25	26	33	34	58	71	70	50	86	111	122
Amortiation and Other	<u>23</u>	<u>48</u>	<u>60</u>	<u>48</u>	<u>56</u>	<u>52</u>	<u>34</u>	<u>41</u>	<u>59</u>	<u>97</u>	<u>114</u>
EBITDA	101	155	243	243	330	428	572	515	742	899	1,047
<b>FEMSA Comercio</b>											
Income From Operations	4	7	7	9	24	29	33	47	62	82	118
Depreciation	2	2	3	4	5	7	8	9	12	19	30
Amortiation and Other	<u>3</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>4</u>	<u>6</u>	<u>8</u>	<u>9</u>	<u>12</u>	<u>21</u>	<u>26</u>
EBITDA	8	12	14	18	33	42	49	64	85	122	174