PANAMERICAN BEVERAGES INC
Form DEFM14A
March 28, 2003

SCHEDULE 14A

Information Required in Proxy Statement

Reg. § 240.14a-101

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

Panamerican Beverages, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
o No fee required.
x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

Class A Common Stock, par value $.01 per share, of Panamerican Beverages, Inc.; Class B Common Stock, par value $.01 per share, of Panamerican Beverages, Inc.; Series C Preferred Stock, par value $.01 per share, of Panamerican Beverages, Inc.; and options to acquire shares of Class A Common Stock.

2. Aggregate number of securities to which transaction applies:

112,793,056 shares of Class A Common Stock, 8,659,757 shares of Class B Common stock, 2 shares of Series C Preferred Stock and options to acquire 5,324,005 shares of Class A Common Stock.

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

It is contemplated that:

immediately prior to the effective time of the merger, all shares of Class A Common Stock and Class B Common Stock beneficially owned by The Coca-Cola Company through its subsidiaries, will be exchanged for newly issued shares of Series D Preferred Stock, par value $.01 per share, of Panamerican Beverages, Inc. at a one-to-one ratio; and

in the merger described in this proxy statement:

each outstanding share of Class A Common Stock will be converted into the right to receive $22.00 in cash;

each outstanding share of Class B Common Stock will be converted into the right to receive $38.00 in cash;

all the outstanding shares of Series C Preferred Stock and Series D Preferred Stock beneficially owned by The Coca-Cola Company through its subsidiaries will be converted into the right to receive one or more promissory notes that, in the aggregate, will entitle the holders thereof (restricted to The Coca-Cola Company and its designated affiliates) to subscribe to and be issued 304,045,678

Series D shares of Coca-Cola FEMSA, S.A. de C.V.; and

each outstanding option to purchase shares of Class A Common Stock will be canceled, with the holder thereof becoming entitled to receive the excess, if any, of $22.00 over the exercise price, per share, of such option.

The aggregate value of the transaction is $2,326,558,646.38, determined by adding (a) the product of (1) 84,334,430 outstanding shares of Class A Common Stock, which excludes 28,458,626 shares of Class A Common Stock beneficially owned by The Coca-Cola Company through its subsidiaries, and (2) $22.00 per share, or $1,855,357,460, (b) the product of (1) 6,492,693 outstanding shares of Class B Common Stock, which excludes 2,167,064 shares of Class B Common Stock beneficially owned by The Coca-Cola Company through its subsidiaries, and (2) $38.00 per share, or $246,722,334, (c) the product of (1) 304,045,678 Series D shares of Coca-Cola FEMSA, S.A. de C.V. to be issued to The Coca-Cola Company or its designated affiliates as a consequence of the merger in exchange for 30,625,692 shares of Series C Preferred Stock and Series D Preferred Stock beneficially owned by The Coca-Cola Company through its subsidiaries, and (2) a book value of $.61 per Series D share of Coca-Cola FEMSA, S.A. de C.V. at December 31, 2002, as required by paragraph (a)(4) of Rule 0-11 of the Exchange Act, or $185,467,863.58, and (d) the product of (1) options to acquire 5,324,005 shares of Class A Common Stock outstanding as of March 24, 2003, with an exercise price below $22.00 per share, and (2) approximately $7.33, which is the amount equal to the excess of $22.00 over the weighted average exercise price of such outstanding options, or $39,010,988.80. The amount of the filing fee, calculated based on a rate of $92.00 per $1,000,000.00 of the aggregate value of the transaction, is $214,043.40.

4. Proposed maximum aggregate value of transaction:

$2,326,558,646.38

5. Total fee paid:

$214,043.40

o Fee paid previously with preliminary materials.

x Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

$212,686.61

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2) Form, Schedule or Registration Statement No.:

Schedule 13E-3

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3) Filing Parties:

Panamerican Beverages, Inc., Coca-Cola FEMSA, S.A. de C.V.

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4) Date Filed:

January 30, 2003

Letter to Panamerican Beverages, Inc. Stockholders

Dear Panamco Stockholder:

You are cordially invited to attend a special meeting of stockholders to be held at The Ritz-Carlton Key Biscayne located at 455 Grand Bay Drive, Miami, Florida 33149 on April 28, 2003, at 9:00 a.m., local time.

At the special meeting, you will be asked to approve the merger agreement that we entered into on December 22, 2002 with Coca-Cola FEMSA, S.A. de C.V. and Midtown Sub, Inc., pursuant to which Panamco would be merged with Midtown Sub, Inc., a wholly owned subsidiary of Coca-Cola FEMSA. If we complete the merger, holders of Panamco s Class A Common Stock, excluding subsidiaries of The Coca-Cola Company, will receive $22.00 in cash for each share that they own, and holders of Panamco s Class B Common Stock, excluding subsidiaries of The Coca-Cola Company, will receive $38.00 in cash for each share that they own. In exchange for all the shares of Panamco that it beneficially owns, The Coca-Cola Company will receive, instead of cash, 304,045,678 Series D shares of Coca-Cola FEMSA and continue to have an equity interest in Coca-Cola FEMSA after the merger.

The Board of Directors has approved the merger and recommends that you vote FOR the approval of the merger agreement at the special meeting. In reaching its recommendation, the Board of Directors took into consideration the following factors, which are further explained in the proxy statement:

- **The price of $22.00 per share for Panamco s Class A Common Stock represents a significant premium to its recent trading performance, thereby unlocking stockholder value.**
- **The proposed merger represents Panamco s best strategic alternative.**
- **JPMorgan, our financial advisor, rendered its opinion that, as of December 20, 2002, and subject to the conditions, assumptions and limitations expressed therein, the consideration to be paid to the holders of Panamco s Class A Common Stock, with respect to such Class A Common Stock, in the proposed merger was fair, from a financial point of view, to such stockholders.**

Please note that holders of Panamco s Class A Common Stock are being asked to vote at the special meeting.

In determining that the transaction was fair to and in the best interests of all Panamco s stockholders (other than the subsidiaries of The Coca-Cola Company), notwithstanding the differential treatment of holders of Panamco s Class A Common Stock and Class B Common Stock and of The Coca-Cola Company, the Board of Directors considered the following factors, in addition to the factors listed above:

- Under Panamco s articles of incorporation, Class A Common Stock is non-voting, and Class B Common Stock is voting. Approval by a majority of holders of Class B Common Stock is therefore essential to the implementation of the merger and it was unlikely that such holders could be persuaded to accept a price less than $38.00 per share.
- Notwithstanding that Panamco s Class A Common Stock is non-voting under Panamco s articles of incorporation, a condition of the merger agreement to the completion of the merger is that a majority of the independent holders of the Class A Common Stock present at the special meeting approve the merger.
- The Coca-Cola Company has the right to prevent any merger transaction involving Panamco, by virtue of its ownership of Panamco s Series C Preferred Stock, and the consideration to be received by The Coca-Cola Company in the merger was determined after assigning a value of $22.00 to each Panamco share beneficially owned by The Coca-Cola Company.

You should note that The Coca-Cola Company and certain other significant holders, together representing 69.0% of the outstanding shares of Panamco s Class B Common Stock, have separately entered into agreements pursuant to which they have agreed to vote in favor of approval of the merger agreement subject to terms and conditions set forth in those agreements.

Your vote is very important. We cannot complete the merger unless the conditions to closing are satisfied, including the approval of the merger agreement by our stockholders as further described in the accompanying proxy statement. Record holders of Panamco stock at the close of business on March 28, 2003 are entitled to notice of and to vote at the special meeting or at any adjournments or postponements of the meeting.

Unless you hold your shares as a participant in the Voting Trust described in the accompanying proxy statement, we urge you to complete, date, sign and return the WHITE proxy card. If you hold your shares in street name, you should instruct your broker how to vote in accordance with your voting instruction form. If you hold your shares of Class B Common Stock as a participant in the Voting Trust, do not complete and return the enclosed WHITE proxy card; instead complete and return the enclosed GREEN direction with your instructions to the trustees of the Voting Trust and follow the instructions in the accompanying proxy statement.

The accompanying proxy statement explains the proposed merger and the merger agreement and provides specific information concerning the special meeting. Please read these materials carefully.

Craig D. Jung
President and Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION, OR PASSED UPON THE MERITS OR FAIRNESS OF THIS TRANSACTION, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE ENCLOSED PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The proxy statement is dated March 28, 2003 and was first mailed to Panamco stockholders on or about March 31, 2003.

PANAMERICAN BEVERAGES, INC.

701 Waterford Way, Suite 800

Miami, Florida 33126

Notice of Special Meeting of Stockholders

To the Stockholders of Panamerican Beverages, Inc.:

Pursuant to Article II, Section 4 of the Amended and Restated By-Laws of Panamerican Beverages, Inc., notice is hereby given that a special meeting of stockholders of Panamerican Beverages, Inc. will be held at The Ritz-Carlton Key Biscayne located at 455 Grand Bay Drive, Miami, Florida 33149 on April 28, 2003, at 9:00 a.m., local time.

The purposes of the special meeting are:

1. For the holders of Class B Common Stock:

(a) to consider and vote, as a class, upon a proposal to approve the Merger Agreement, dated as of December 22, 2002 (the Merger Agreement), among Coca-Cola FEMSA, S.A. de C.V. (Coca-Cola FEMSA), Midtown Sub, Inc. and Panamco, and the merger; and

(b) to consider and vote, as a class, upon a proposal to ask the holders of Class A Common Stock, as a class, to approve the Merger Agreement and the merger;

2. For the holders of Class A Common Stock, subject to the affirmative vote of the holders of the Class B Common Stock with respect to 1(b) above, to consider and vote, as a class, upon a proposal to approve the Merger Agreement and the merger; and

3. For the holders of Series C Preferred Stock, to consider and vote, as a class, upon a proposal to approve the Merger Agreement and the merger.

The Merger Agreement and related agreements contemplate, among other things, that:

immediately prior to the effective time of the merger, all shares of Class A Common Stock and Class B Common Stock beneficially owned by The Coca-Cola Company through its subsidiaries will be exchanged for newly issued shares of Panamco s Series D Preferred Stock, $.01 par value per share, at a one-to-one ratio; and

in the merger:

each outstanding share of Class A Common Stock, $.01 par value per share, will be converted into the right to receive $22.00 in cash;

each outstanding share of Class B Common Stock, $.01 par value per share, will be converted into the right to receive $38.00 in cash; and

all the outstanding shares of Series C Preferred Stock and Series D Preferred Stock, $.01 par value per share, beneficially owned by The Coca-Cola Company through its subsidiaries will be converted into the right to receive one or more promissory notes that, in the aggregate, will entitle the holders (restricted to The Coca-Cola Company and its designated affiliates) to subscribe to and be issued 304,045,678 Series D shares of Coca-Cola FEMSA; and

each outstanding option to purchase shares of Class A Common Stock will be canceled, with the holder thereof becoming entitled to receive the excess, if any, of $22.00 over the exercise price, per share, of such option.

The Merger Agreement is more fully described in the accompanying proxy statement and is attached as Annex A to the accompanying proxy statement. No other matters, except, upon appropriate motion of a stockholder vote, to adjourn or postpone the special meeting, may be brought before the special meeting.

The Board of Directors has fixed the close of business on March 28, 2003 as the record date for determining stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or

postponement of the meeting. A list of stockholders entitled to vote at the special meeting will be available for examination at our headquarters in Miami, Florida and our administrative offices in Panama City located at Edificio Torre Dresdner Bank, 7th Floor, 50th Street, Panama, Republic of Panama, during ordinary business hours, from the date of the accompanying proxy statement until the special meeting.

The accompanying proxy statement describes the proposed merger, the actions to be taken in connection with the merger and additional information about the parties involved and their interests. Please give all this information your careful attention.

The Board of Directors recommends that all classes of stockholders vote FOR approval of the Merger Agreement and the merger. The Board of Directors also recommends that the holders of Class B Common Stock vote FOR asking the holders of Class A Common Stock, as a class, to approve the Merger Agreement and the merger.

Unless you hold your shares of Class B Common Stock as a participant in the voting trust (the Voting Trust) for which Woods W. Staton II and James M. Gwynn act as voting trustees (the Voting Trustees), please sign and return the enclosed WHITE proxy card as promptly as possible, whether or not you plan to attend the special meeting in person. You may revoke the proxy at any time before your proxy is voted in the special meeting in the manner described in the attached proxy statement. Any stockholder present at the special meeting, including any adjournment or postponement, may revoke such stockholder s proxy and vote personally on the Merger Agreement and the merger and any other matters to be considered at the special meeting. Executed proxies with no instructions indicated thereon will be voted FOR approval of the Merger Agreement and the merger and, in the case of an executed proxy with no instructions that relates to Class B Common Stock, FOR approval of asking the holders of Class A Common Stock, as a class, to approve the Merger Agreement and the merger.

If you hold your shares of Class B Common Stock as a participant in the Voting Trust, please DO NOT complete and return the enclosed WHITE proxy card. Instead, you must give instructions to the Voting Trustees by way of the enclosed GREEN direction to vote your shares by returning your completed instructions to Georgeson Shareholder, 17 State Street, 10th Floor, New York, New York 10004, Attention: Voting Trustees of the Panamerican Beverages, Inc. Voting Trust.

Please do not send your stock certificates at this time.

By Order of the Board of Directors,

Carlos Hernández A.
Vice President, General Counsel and Secretary

TABLE OF CONTENTS

SUMMARY

This summary highlights some of the information from this proxy statement and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this entire document, including the annexes and other documents to which we have referred you. See Other Matters Where You Can Find More Information on page 115 for more details.

Summary Term Sheet

In the proposed merger of Panamerican Beverages, Inc., referred to in this proxy statement as Panamco, and Midtown Sub, Inc., referred to in this proxy statement as Midtown Sub, a wholly owned subsidiary of Coca-Cola FEMSA, S.A. de C.V., referred to in this proxy statement as Coca-Cola FEMSA:

the holders, other than subsidiaries of The Coca-Cola Company, of each outstanding share of Panamco s Class A Common Stock, $.01 par value per share, will receive $22.00 per share in cash;

the holders, other than subsidiaries of The Coca-Cola Company, of each outstanding share of Panamco s Class B Common Stock, $.01 par value per share, will receive $38.00 per share in cash;

by reason of its holdings (through its subsidiaries) of Panamco shares, The Coca-Cola Company or its designated affiliates will receive one or more promissory notes that, in the aggregate, will entitle the holders of such promissory notes (restricted to The Coca-Cola Company and its designated affiliates) to subscribe to and be issued 304,045,678 Series D shares of Coca-Cola FEMSA; and

the holders of each outstanding option to purchase shares of Panamco s Class A Common Stock will be entitled to receive the excess, if any, of $22.00 over the exercise price, per share, of such option.

See The Merger Agreement and the Stockholder Agreements The Merger Agreement on page 73 for a discussion of the terms of the agreement of merger, dated as of December 22, 2002, among Coca-Cola FEMSA, Midtown Sub and Panamco. The agreement of merger is referred to in this proxy statement as the Merger Agreement.

At the special meeting, the requisite votes of the three classes of Panamco stock are:

the affirmative vote of the holders of a majority of the outstanding shares of Panamco s Class B Common Stock;

the affirmative vote of the holders of a majority of the outstanding shares of Panamco s Class A Common Stock that are present or represented by proxy at the special meeting who, under the Merger Agreement, are not disqualified holders (for this purpose, disqualified holders means The Coca-Cola Company and its subsidiaries, Venbottling Holdings, Inc. and its subsidiaries, the officers and directors of Panamco and any other holder whom the secretary of Panamco (or other officer or agent authorized to tabulate shares) is advised beneficially owns shares of Panamco s Class B Common Stock); and

the approval of the holders of all outstanding shares of Panamco s Series C Preferred Stock.

See The Special Meeting Votes Required on page 71.

Subsidiaries of The Coca-Cola Company, who hold approximately 25.0% of the outstanding shares of Panamco s Class B Common Stock and all outstanding shares of Panamco s Series C Preferred Stock, and the Voting Trust and the principal participants in the Voting Trust, representing approximately 44.0% of outstanding shares of Panamco s Class B Common Stock, have, subject to specified terms and conditions, separately entered into agreements pursuant to which they have agreed to vote in favor

of the Merger Agreement and the merger and have made specified undertakings to facilitate the merger for the benefit of Panamco and Coca-Cola FEMSA. See The Merger Agreement and the Stockholder Agreements The Stockholder Agreements on page 86. By virtue of these agreements, the proposals to be considered at the special meeting by the holders of Panamco s Class B Common Stock and Series C Preferred Stock, but not the proposal to be considered by the holders of Panamco s Class A Common Stock, are assured of approval. However, the subsidiaries of The Coca-Cola Company need not vote their shares of Panamco s Series C Preferred Stock in favor of the merger if the merger has not been approved by the requisite majority of the holders of Panamco s Class A Common Stock as set forth above. Furthermore, all the obligations of The Coca-Cola Company with regard to the voting of its shares will terminate in the event the Panamco board withdraws or adversely modifies its approval or recommendation of the Merger Agreement or the merger.

The merger is expected to be completed after we receive stockholder approvals for the merger, which we expect will be during the second quarter of 2003.

Questions and Answers About The Merger

Q: What am I being asked to vote upon?

A: We are asking for you to vote upon and consider the following:

The approval of the Merger Agreement that we entered into on December 22, 2002 with Coca-Cola FEMSA and Midtown Sub, and the merger pursuant to which Midtown Sub, a newly formed wholly owned subsidiary of Coca-Cola FEMSA, will be merged with and into Panamco, and Panamco will become a wholly owned subsidiary of Coca-Cola FEMSA.

In addition, in the case of holders of Panamco s Class B Common Stock, asking the holders of Panamco s Class A Common Stock, as a class, to approve the Merger Agreement and the merger.

Q: What does the Board of Directors of Panamco recommend?

A: The Panamco board recommends that all classes of Panamco s stockholders vote FOR approval of the Merger Agreement and the merger. The Panamco board also recommends that the holders of Panamco s Class B Common Stock vote FOR asking the holders of Panamco s Class A Common Stock, as a class, to approve the Merger Agreement and the merger.

Q: Did the Panamco board get a fairness opinion in connection with the Merger Agreement and the merger?

A: Yes. The Panamco board received a fairness opinion from J.P. Morgan Securities Inc., referred to in this proxy statement as JPMorgan, Panamco s financial advisor. This opinion, dated December 20, 2002, states that, as of such date, $22.00 cash consideration for each share of Panamco s Class A Common Stock to be paid to the holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock was fair, with respect to such Class A Common Stock, from a financial point of view, to such stockholders. The full text of the written opinion of JPMorgan is attached to this proxy statement as Annex D, and you should read it carefully in its entirety. The opinion of JPMorgan is directed to the Panamco board and does not constitute a recommendation to you as to how you should vote with respect to the proposed merger. See Special Factors Opinion of Panamco s Financial Advisor on page 28.

Q: When and where is the special meeting?

A: The special meeting will be held at The Ritz-Carlton Key Biscayne located at 455 Grand Bay Drive, Miami, Florida 33149, on April 28, 2003, at 9:00 a.m., local time. You may attend the special meeting and vote your shares in person rather than voting by proxy.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement, please complete, date and sign your WHITE proxy and return it in the enclosed return envelope as soon as possible, so that your shares may be represented at the special meeting.

If you sign and send in your proxy and do not indicate how you want to vote, we will count your proxy as a vote in favor of approval of the Merger Agreement and the merger, and in the case of a proxy with respect to Panamco s Class B Common Stock, we will also count your proxy as a vote in favor of asking the holders of Panamco s Class A Common Stock, as a class, to approve the Merger Agreement and the merger.

Q: How do I vote if I hold my Class B Common Stock as a participant in the Voting Trust?

A: If you hold Panamco s Class B Common Stock as a participant in the voting trust (the Voting Trust) for which Woods W. Staton and James M. Gwynn act as voting trustees (the Voting Trustees), please DO NOT complete and return a WHITE proxy with respect to such Class B Common Stock. Instead, you must give instructions to the Voting Trustees to vote your shares at the special meeting by completing and returning the enclosed GREEN direction with your completed instructions to Georgeson Shareholder, 17 State Street, 10th Floor, New York, New York 10004, Attention: Voting Trustees of the Panamerican Beverages, Inc. Voting Trust. In order to be binding upon the Voting Trustees, your instructions must be received by April 24, 2003, at 5:00 p.m., New York time.

If you fail to give instructions to the Voting Trustees, the Voting Trustees may vote your shares in accordance with the recommendation of the Panamco board.

Q: What happens if I do not vote at the special meeting or vote my proxy or send my instructions to the Voting Trustees as described in the proxy statement?

A: If you are a holder of Panamco s Class A Common Stock and do not vote, your shares of Class A Common Stock will not count toward a quorum and, assuming a quorum is otherwise established, your failure to vote will have no effect on the vote of the holders of Panamco s Class A Common Stock to approve the Merger Agreement and the merger.

If you are a holder of Panamco s Class B Common Stock (other than as a participant in the Voting Trust) and do not vote, your failure to vote will have the effect of counting against the Merger Agreement and the merger and the proposal to allow the holders of Panamco s Class A Common Stock, as a class, to approve the Merger Agreement and the merger.

If you hold your shares of Panamco s Class B Common Stock as a participant in the Voting Trust and fail to give instructions to the Voting Trustees to vote your shares at the special meeting, the Voting Trustees may vote your shares in accordance with the recommendation of the Panamco board.

Q: Can I change my vote after I have mailed my signed proxy or instructions to the Voting Trustees?

A: Yes. Unless you hold your shares of Panamco s Class B Common Stock as a participant in the Voting Trust, you can change your vote at any time before your proxy is voted at the special meeting. You can do this by presenting to the meeting an instrument revoking your proxy or a new duly executed proxy bearing a later date. You must submit your notice of revocation or your new proxy to Panamco s solicitation agent, Georgeson Shareholder, at the following address so that your notice or new proxy is received by the solicitation agent prior to 9:00 a.m., New York time, on the date of the special meeting:

Georgeson Shareholder
17 State Street, 10th Floor
New York, New York 10004

If you hold your shares of Panamco s Class B Common Stock as a participant in the Voting Trust, you may revoke or amend your instructions by written notice to the Voting Trustees at any time, so long as such written notice is received by the Voting Trustees at the following address prior to 5:00 p.m., New York time, on April 24, 2003:

Georgeson Shareholder
17 State Street, 10th Floor
New York, New York 10004
Attention: Voting Trustees of the Panamerican Beverages, Inc.
Voting Trust

Q: If my broker holds my shares in street name, will my broker vote my shares?

A: Your broker will vote your shares only if you provide instructions as to how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q: Am I entitled to dissenters rights?

A: No. Under Panama law, Panamco s stockholders are not entitled to dissenters rights, rights of appraisal or similar rights in connection with the merger.

Q: Who will own Panamco after the merger?

A: After the merger, Panamco will be a wholly owned subsidiary of Coca-Cola FEMSA. Upon completion of the merger, stockholders of Panamco, other than The Coca-Cola Company, will no longer have an equity or ownership interest in Panamco, nor will they, other than The Coca-Cola Company, acquire an ownership interest in Coca-Cola FEMSA by virtue of their current ownership of Panamco s Common Stock. The merger may constitute, if completed, a going-private transaction within the meaning of Rule 13e-3 promulgated under the Securities Exchange Act of 1934, referred to in this proxy statement as the Exchange Act. For further information regarding Coca-Cola FEMSA and The Coca-Cola Company, see Information Concerning Panamco, Coca-Cola FEMSA, Midtown Sub, FEMSA and The Coca-Cola Company on page 94.

Q: What is the value of the consideration that The Coca-Cola Company will receive in the merger and what percentage of Coca-Cola FEMSA will The Coca-Cola Company own after the merger?

A: As a consequence of the merger, The Coca-Cola Company will receive 304,045,678 Series D shares of Coca-Cola FEMSA in exchange for all shares of Panamco s Class A Common Stock, Class B Common Stock and Series C Preferred Stock beneficially owned by The Coca-Cola Company through its subsidiaries. This stock consideration was determined by assigning a value to all Panamco shares beneficially owned by The Coca-Cola Company of $22.00 per share and a subscription value of $2.216 to each Series D share of Coca-Cola FEMSA. This subscription value in turn was established based on the average of the closing prices on The New York Stock Exchange for American Depositary Shares of Coca-Cola FEMSA over a period of 20 trading days prior to public announcement of the merger. Upon completion of the merger, The Coca-Cola Company and its subsidiaries are expected to hold approximately 39.6% of Coca-Cola FEMSA s share capital and 46.4% of Coca-Cola FEMSA s voting share capital.

Q: If the merger is approved, when will I receive cash consideration for my shares?

A: Holders of Panamco s Common Stock, other than The Coca-Cola Company and its subsidiaries, will be entitled to receive cash for their shares as of the date of completion of the merger. Following the closing of the merger, you will receive instructions from Panamco on how to obtain your cash payment in exchange for each share of Panamco s Common Stock that you own.

Q: What are the tax consequences of the merger to me?

A: In general, a United States Holder (as defined under Special Factors Material Income Tax Consequences on page 65) that receives cash for its shares of Panamco s Common Stock pursuant to

the merger, will recognize gain or loss for United States Federal income tax purposes in an amount equal to the difference between such holder s adjusted tax basis in its shares of Panamco s Common Stock and the cash received. Such gain or loss generally will be capital gain or loss. However, special rules described more fully below could affect the character and amount of a United States Holder s gain or loss recognition in the merger under specified circumstances. A Non-United States Holder will generally not be subject to United States Federal income or withholding tax with respect to gain recognized in the merger. Panamco stockholders will generally not be subject to any Panama tax on gains realized as a result of the merger. For a more detailed discussion of the material income tax consequences of the merger, see Special Factors Material Income Tax Consequences on page 64.

Q: Should I send in my stock certificates now?

A: No. After the completion of the merger, you will receive written instructions for exchanging your stock certificates. Please do not send in your stock certificates with your proxy.

Q: Who can help answer my questions?

A: If you have any questions about the merger or if you need additional copies of this proxy statement or the enclosed proxy or instruction form, you should contact:

Georgeson Shareholder
17 State Street, 10th Floor
New York, New York 10004
Banks and Brokers call: (212) 440-9800
All others call toll-free: (866) 204-2716

Panamerican Beverages, Inc.
701 Waterford Way, Suite 800
Miami, Florida 33126
Attention: Laura Maydón
Telephone: (305) 929-0867

The Companies (see page 94)

Panamco is the largest soft drink bottler in Latin America and the third largest bottler of the soft drink products of The Coca-Cola Company in the world, as measured by sales volume in unit cases sold per year in 2002. Panamco produces and distributes Coca-Cola, Sprite, Fanta, Lift and other beverages of The Coca-Cola Company in its bottling territories in Mexico, Brazil, Colombia, Venezuela, Costa Rica, Nicaragua, Guatemala and Panama, along with bottled water, beer and other beverages in some of these territories. Panamco has two classes of common stock: Panamco s Class A Common Stock, which in general has no voting rights, and Panamco s Class B Common Stock, which is entitled to vote (together, Panamco s Common Stock). Panamco s Class B Common Stock represents approximately 7.1% of the outstanding shares of Panamco s Common Stock. Panamco also has one class of preferred stock: Panamco s Series C Preferred Stock. The Coca-Cola Company, through its subsidiaries, beneficially owns approximately 25.2% of Panamco s Class A Common Stock, approximately 25.0% of Panamco s Class B Common Stock and 100% of Panamco s Series C Preferred Stock. Venbottling Holdings, Inc. beneficially owns approximately 9.0% of Panamco s Class B Common Stock and approximately 9.1% of Panamco s Class A Common Stock. The Voting Trust holds approximately 59.5% of Panamco s Class B Common Stock.

Coca-Cola FEMSA produces Coca-Cola, Sprite, Fanta, Lift and other beverages of The Coca-Cola Company in the Valley of Mexico and the Southeast territories in Mexico and in the Buenos Aires territory in Argentina. Coca-Cola FEMSA has bottling facilities and services retailers in Mexico and Buenos Aires. Fomento Económico Mexicano, S.A. de C.V., referred to in this proxy statement as FEMSA, beneficially owns a 51.0% equity interest in Coca-Cola FEMSA. The Coca-Cola Company beneficially owns a 30.0% equity interest in Coca-Cola FEMSA.

Midtown Sub is a corporation incorporated under the laws of the Republic of Panama and is a wholly owned subsidiary of Coca-Cola FEMSA. It was established for the sole purpose of merging with and into Panamco.

Interests of Certain Persons in the Merger (see page 51)

In considering the recommendation of the Panamco board to vote for the proposal to approve the Merger Agreement and the merger, you should be aware that the directors and executive officers of Panamco listed on pages 52-54 have interests in the merger that are in addition to, or different from, the interests of Panamco stockholders generally and that create potential conflicts of interest. These interests include:

the cancellation of outstanding options to purchase Panamco s Class A Common Stock held by such directors and executive officers, whether vested or unvested, in exchange for a cash payment equal to the excess, if any, of $22.00 over the per share exercise price of each outstanding option, multiplied by the number of shares of Panamco s Class A Common Stock subject to each such option;

participation by Panamco executive officers, including Messrs. Jung and Hernández and Ms. Franqui, in the Panamco change in control severance plan, which provides them with the right to receive:

(a) enhanced severance benefits (including cash payments of up to three times the executive s base salary and target bonus and up to three years of continued welfare benefits) in the event of the executive s involuntary termination, as defined under the change in control severance plan, within as many as three years following the completion of the merger;

(b) a pro rata bonus payment for the year in which the merger is completed; and

(c) in the case of Messrs. Jung and Hernández and Ms. Franqui, an additional gross-up payment to make the executives whole for any excise taxes that may be imposed on them under Section 4999 of the Internal Revenue Code;

in the case of Messrs. Cooling and Schimberg, the lapse of restrictions on 73,333 restricted shares and 55,000 restricted shares, respectively, of Panamco s Class A Common Stock immediately prior to the completion of the merger, and the opportunity for Messrs. Cooling and Schimberg to receive the value of the remaining 193,334 unvested restricted shares and 145,000 unvested restricted shares,

respectively, of Panamco s Class A Common Stock held as of the completion of the merger if the price of Coca-Cola FEMSA s American Depositary Shares exceeds predetermined price targets prior to specified dates; and

the continued benefits after the completion of the merger of indemnification benefits available to directors and executive officers of Panamco, and the provision of directors and officers liability insurance coverage for six years after the completion of the merger.

The Panamco board was aware of, and considered the interests of, its directors and executive officers when it considered and approved the Merger Agreement and the merger and determined to recommend to Panamco stockholders that they vote for the proposal to approve the Merger Agreement and the merger.

Arrangements with The Coca-Cola Company (see page 55 and Annex E)

Each of Panamco and Coca-Cola FEMSA operates primarily pursuant to bottling and related agreements with The Coca-Cola Company and its subsidiaries. In addition, The Coca-Cola Company, through subsidiaries, is a significant stockholder of both Panamco and Coca-Cola FEMSA and has significant rights in connection with the governance of Panamco and Coca-Cola FEMSA.

The subsidiaries of The Coca-Cola Company that hold Panamco stock have made specified undertakings to support and facilitate the merger for the benefit of Panamco and Coca-Cola FEMSA. In consideration for these undertakings, Coca-Cola FEMSA has made undertakings for the benefit of The Coca-Cola Company and its subsidiaries, including specified indemnification obligations following the merger and undertakings to take specified actions and refrain from specified others to facilitate the ability of The Coca-Cola Company to receive favorable tax treatment in connection with its subsidiaries receipt of the merger consideration. In addition, The Coca-Cola Company and FEMSA have memorialized their understandings relating to specified operational and business issues that will affect the combined company following completion of the merger in a memorandum included as Annex E to this proxy statement.

Financing of the Merger (see page 61)

Coca-Cola FEMSA estimates that approximately $2.72 billion will be required to pay the cash merger consideration and cash out options pursuant to the Merger Agreement, pay related transaction costs and refinance approximately $446 million of outstanding Panamco consolidated indebtedness. Coca-Cola FEMSA expects to finance these costs with:

the proceeds of three credit facilities for $2.05 billion in the aggregate, which JPMorgan Chase Bank and Morgan Stanley Senior Funding have committed to provide;

approximately $407 million of available cash; and

the proceeds of a new equity investment of $260 million by FEMSA in Coca-Cola FEMSA that FEMSA has committed to make at the time of completion of the merger.

The committed credit facilities consist of:

a 364-day $1.55 billion bridge loan facility with a lump-sum principal payment at maturity;

a $250 million three-year term loan facility with a lump-sum principal payment at maturity; and

a $250 million five-year amortizing term loan facility.

The completion of the merger is conditioned on the disbursement of funds under the credit facilities by the lenders, and the lenders commitments are subject to various conditions, including the absence of material adverse changes and the investment grade rating of the combined company. The commitments expire on September 18, 2003.

The Merger (see page 73)

The Merger Agreement is attached as Annex A to this proxy statement. We encourage you to read the entire Merger Agreement carefully, as the Merger Agreement is the legal document that governs the merger.

After the satisfaction or waiver of the conditions to the merger set forth in the Merger Agreement, Midtown Sub will be merged with and into Panamco. Panamco will survive the merger and continue to exist as a wholly owned subsidiary of Coca-Cola FEMSA. The directors of Panamco at the effective time of the merger will be those designated by Coca-Cola FEMSA to be directors of Midtown Sub.

Conditions to the Merger (see page 82)

Panamco and Coca-Cola FEMSA are not required to complete the merger unless a number of conditions are satisfied or waived, including:

- stockholder approvals specified in Special Meeting Votes Required on page 71;
- absence of laws or governmental or court orders or decisions that would prohibit the merger or require either Coca-Cola FEMSA or Panamco to pay material amounts to one or more Panamco stockholders in connection with the merger and in excess of the merger consideration;
- receipt of specified regulatory approvals; and
- absence of pending governmental actions or proceedings that seek to enjoin, restrain or otherwise prohibit the merger.

In addition, the obligation of Coca-Cola FEMSA to complete the merger is subject to the satisfaction or waiver of the conditions that:

- Coca-Cola FEMSA s lenders under the existing loan commitments shall have disbursed at least $2.05 billion, which condition is referred to in this proxy statement as the financing condition; and
- Coca-Cola FEMSA shall have received confirmation that its final foreign currency debt ratings following the effectiveness of the merger would be at least BBB- from Standard & Poor s Rating Services and Baa3 from Moody s Investor Ratings Service, with stable outlook in each case, which condition is referred to in this proxy statement as the ratings condition.

Termination of the Merger Agreement (see page 84)

The Merger Agreement may be terminated at any time prior to the closing of the merger:

- by mutual written consent of Panamco and Coca-Cola FEMSA;
- by either Coca-Cola FEMSA or Panamco if:
  - the Panamco stockholders do not approve the Merger Agreement at the special meeting;
  - the merger has not been completed by September 18, 2003; or
  - a legal prohibition against the merger becomes permanent and final.
- by Panamco if:
  - Coca-Cola FEMSA materially breaches a covenant and the breach is not cured, or is not capable of being cured, within 30 days after notice;
  - the Panamco board accepts a superior proposal under the limited circumstances specified in the Merger Agreement and pays Coca-Cola FEMSA the termination fee described below; or

the following conditions are all satisfied:

45 days have passed since the fifth consecutive business day on which all of the conditions to the completion of the merger have been satisfied except for either the financing condition or the ratings condition;

the failure of either the financing condition or the ratings condition to be satisfied is not due to a breach by Panamco; and

the termination date is after April 21, 2003.

by Coca-Cola FEMSA if:

the Panamco board withdraws or adversely modifies its approval or recommendation of the merger, fails to call the special meeting or fails to solicit proxies from its stockholders in connection with the special meeting;

Panamco fails to comply with its obligations to refrain from soliciting or taking other specified actions in connection with alternative acquisition proposals; or

Panamco materially breaches any other covenant and the breach is not cured, or is not capable of being cured, within 30 days after notice.

Termination Fee (see page 84)

Panamco will be required to pay Coca-Cola FEMSA a termination fee of $125,000,000, and reimburse up to $15,000,000 of expenses, in cash if:

Panamco terminates the Merger Agreement to accept a superior proposal; or

Panamco completes or enters into any agreement to complete an alternative acquisition proposal within 15 months after the Merger Agreement is terminated under circumstances specified in the Merger Agreement.

Coca-Cola FEMSA will be required to pay Panamco a termination fee of $125,000,000, and reimburse up to $15,000,000 of expenses, if the Merger Agreement is terminated under circumstances specified in the Merger Agreement and the reason why the merger had not been completed prior to termination is a failure of either the financing condition or the ratings condition to have been satisfied (other than as a result of a breach by Panamco) or waived.

Regulatory Requirements (see page 63)

In response to the filing requirements under the Hart-Scott-Rodino Antitrust Improvements Act, Coca-Cola FEMSA and Panamco filed a notification and report form relating to the merger on January 22, 2003 with the U.S. Federal Trade Commission and the U.S. Department of Justice. On February 4, 2003, the statutory waiting period was terminated, allowing the merger to close without any further antitrust-related pre-merger conditions or approvals in the United States. Notifications were also made to antitrust authorities in Mexico and Brazil. On March 20, 2003, the Mexican Antitrust Commission approved, without conditions, the merger. The Brazilian Ministry of Finance and the Brazilian Ministry of Justice have both given unqualified recommendations in support of the merger to the Brazilian antitrust agency, the Administrative Council for Economic Defense, which must make a final determination with regard to the merger within sixty days of the date that it receives a copy of the recommendation from the Brazilian Ministry of Justice. This recommendation was rendered on March 27, 2003 and is expected to be delivered to the Brazilian antitrust agency on or about March 31, 2003. If such determination is not made, the merger will be deemed to be automatically approved. We understand that applicable competition laws in Brazil permit the completion of the merger before the expiration of the investigation. We are not aware of any material governmental approvals or actions that may be required for the completion of the merger other than as described above and other than the filing for registration and completion of registration of the certificate of merger with the Public Registry Office of the Republic of Panama.

In connection with seeking any approval of a governmental entity, the efforts of Coca-Cola FEMSA and Panamco may include agreeing to conditions imposed by regulatory authorities on the conduct of the business of the combined company after the merger. However, Coca-Cola FEMSA and Panamco need not accept

conditions or take any actions that would have a material and adverse impact on Coca-Cola FEMSA, Panamco or the benefits that Coca-Cola FEMSA would otherwise have derived from the merger.

Fees and Expenses (see page 68)

Except where a termination fee is payable, the Merger Agreement generally requires, whether or not the merger is completed, that all fees and expenses incurred in connection with the merger will be paid by the party incurring those fees and expenses. See The Merger Agreement and the Stockholder Agreements The Merger Agreement on page 84 for a discussion of the reimbursement of expenses under certain circumstances where a termination fee is payable.

Selected Historical Financial Information

Set forth below is selected historical consolidated financial information with respect to Panamco excerpted or derived from the information contained in Panamco s Annual Report on Form 10-K for the fiscal year ended December 31, 2002, which is incorporated into this proxy statement by reference. More comprehensive financial information than what is summarized below is included in such reports and other documents filed by Panamco with the Securities and Exchange Commission. The following summary is qualified by reference to such reports and other documents and all of the financial information including any related notes, contained therein. For information on how to inspect and obtain these reports and other documents, see the discussion under Other Matters Where You Can Find More Information on page 115.

Panamerican Beverages Inc.

Selected Historical Consolidated Financial Information
(amounts in table in thousands
except per share amounts and ratios)

	Year Ended December 31,				
	2002	**2001**	**2000**	**1999**	**1998**
Statement of Operations Data:					
Net sales(1)	$2,357,913	$2,630,772	$2,590,305	$2,405,233	$2,761,793
Cost of sales, excluding depreciation and amortization	1,204,216	1,296,307	1,243,485	1,191,883	1,425,246
Gross profit	1,153,697	1,334,465	1,346,820	1,213,350	1,336,547
Operating expenses:					
Selling and distribution(1)	582,726	609,287	627,633	561,454	645,655
General and administrative	169,140	204,897	250,491	251,450	222,327
Depreciation and amortization(2)(3)	235,205	210,667	276,524	214,539	253,112
Amortization of goodwill		26,416	35,819	36,284	35,739
Facilities reorganization charges(6)	35,421		503,659	35,172	
Total operating expenses	1,022,492	1,051,267	1,694,126	1,098,899	1,156,833
Operating income (loss)	131,205	283,198	(347,306)	114,451	179,714
Interest income	6,994	21,341	31,933	28,962	12,817
Interest expense	(85,312)	(119,390)	(142,299)	(129,072)	(98,152)
Other income (expense), net	36,352	(10,891)	(23,244)	(39,296)	22,136
Nonrecurring income, net(4)					60,486
Income (loss) before income taxes	89,239	174,258	(480,916)	(24,955)	177,001
Provision for income taxes(3)(4)	51,126	50,369	21,800	31,254	51,374
Income (loss) before minority interest	38,113	123,889	(502,716)	(56,209)	125,627
Minority interest in earnings of subsidiaries	4,871	5,865	1,944	3,695	5,305
Net income (loss)	$ 33,242	$ 118,024	$ (504,660)	$ (59,904)	$ 120,322
Basic earnings (loss) per share	$ 0.28	$ 0.94	$ (3.92)	$ (0.46)	$ 0.93
Diluted earnings (loss) per share	$ 0.27	$ 0.93	$ (3.92)	$ (0.46)	$ 0.92
Other Data:					
Dividends per share(5)	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.24
Weighted average shares outstanding (basic)	120,602	125,559	128,833	129,683	129,538
Weighted average shares outstanding (diluted)	121,172	126,655	128,833	129,683	130,792
Ratio of earnings to fixed charges(7)	2.0	2.4			2.8

Year Ended December 31,

	2002	2001	2000	1999	1998
Balance Sheet Data (end of period):					
Cash and equivalents	$ 69,024	$ 133,666	$ 191,773	$ 152,648	$ 131,152
Total current assets	319,319	400,786	465,953	427,050	484,540
Total long-term assets	2,008,286	2,292,240	2,560,368	3,186,072	3,163,150
Property, plant and equipment, net	843,886	1,043,870	1,125,719	1,218,383	1,307,590
Total assets	2,327,605	2,693,026	3,026,321	3,613,122	3,647,690
Total long-term liabilities	646,763	1,022,375	1,192,981	1,437,834	964,525
Minority interest	25,121	28,541	27,805	27,974	26,243
Shareholders equity	904,286	1,072,445	1,167,311	1,751,896	1,978,234
Book value per basic share	$ 7.50	$ 8.54	$ 9.06	$ 13.51	$ 15.27
Book value per diluted share(8)	$ 7.46	$ 8.47	$ 9.03	$ 13.48	$ 15.13

(1) Includes reclassification of sales incentives totaling $20.1 million in 2001, $9.1 million in 2000, $10.6 million in 1999, $11.5 million in 1998 and $9.4 million in 1997 from selling and distribution expense to a reduction of net sales in accordance with Emerging Issues Task Force Issue No. 01-09 Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor s Products).

(2) Includes breakage of bottles and cases and amortization expense related to new introductions.

(3) During 1998, Panamco Brazil conducted a study to evaluate the expected future utilization of returnable product presentations in the Brazilian market, having observed accelerated demand for, and utilization of, nonreturnable presentations in the marketplace. The results of this study show that the use of nonreturnable presentations will continue to increase in the Brazilian market. Therefore, during 1998, Panamco adjusted the carrying value of bottles and cases to reflect their estimated use in the marketplace by charging $36.5 million to the 1998 operating results, increasing total depreciation and amortization expense, and reducing the 1998 tax provision by $12.1 million.

(4) Panamco Brazil reversed a contingency allowance recorded in prior years for excise tax credits taken on purchases of concentrate between February 1991 and February 1994. Panamco had previously accrued this allowance in the full amount of such credits. Panamco Brazil reversed this allowance in 1998 because during 1998 the Brazilian Supreme Court resolved similar claims of other bottlers in favor of the bottlers. The reversal of the excise tax allowance amounted to $60.5 million and was credited to nonrecurring income, in the statement of operations. Income tax credits recorded in this allowance, amounting to $20.0 million, were also reversed and charged directly to income in the provision for income taxes in 1998.

(5) Dividends per share reflect the amounts declared and paid during the applicable period.

(6) Facilities reorganization charges in 2002 are related to job terminations and severance payments, charges related to plant closings and disposal of property, plant and equipment, offset by excise tax benefits and the reversal of previously accrued facilities reorganization charges. Facilities reorganization charges in 2000 are related to goodwill impairment of $350.0 million in Venezuela, write-off of obsolete property, plant, equipment, bottles and cases, charges related to plant closings and disposal of property, plant and equipment, job terminations and severance payments, and nonrecurring charges related to legal contingencies. Facilities reorganization charges in 1999 are related to job terminations and severance payments and write-off of obsolete property, plant, and equipment.

(7) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as income from continuing operations before income taxes and adjustment for minority interests in consolidated subsidiaries or income/loss from equity investees, excluding capitalized interest. Fixed charges include interest and amortization of debt expense, including the interest portion of rental obligations deemed representative of the interest. For the fiscal year ended December 31, 2000, Panamco s fixed charges exceeded its earnings by $479.7 million. For the fiscal year ended December 31, 1999, Panamco s fixed charges exceeded its earnings by $20.6 million.

(8) Weighted average shares outstanding (diluted) used in the calculation totals 129,265 for 2000 and 130,001 for 1999.

SPECIAL FACTORS

Background of the Merger

Panamco and Coca-Cola FEMSA are the two largest Coca-Cola bottlers in Latin America (as measured by sales volume in unit cases sold per year in 2002) and have been anchor bottlers for The Coca-Cola Company since the mid-1990s. As participants in the Coca-Cola bottling system, the two companies interact regularly in different business contexts, and, as such, the senior executives of Panamco and Coca-Cola FEMSA meet frequently with each other or with The Coca-Cola Company to discuss issues facing the Coca-Cola bottling system in Latin America. It has become clear over the last several years that significant consolidation of the Coca-Cola bottling system in Latin America would enhance efficiency and reduce costs and, as the two largest Coca-Cola bottlers in Latin America, Panamco and Coca-Cola FEMSA have been active in making acquisitions of other Coca-Cola bottlers, with Panamco acquiring bottlers in Venezuela, Brazil and Central America, while Coca-Cola FEMSA has been expanding in Mexico and Argentina. As part of their efforts to enhance the Coca-Cola bottling system in Latin America, in 1999, Panamco and Coca-Cola FEMSA jointly commissioned the preparation by an outside consulting firm of an analysis of the potential synergies that could result from sharing certain functions in their Mexican operations. This analysis concluded that a combination of the Mexican operations of Panamco and Coca-Cola FEMSA should result in synergies of between $60 million and $70 million per year, on a pre-tax basis and without taking into account any costs of realizing such synergies. The analysis did not include any valuations of either company or of their respective Mexican operations and concluded without resulting in any serious discussions or negotiations regarding such a potential sharing of functions or any discussion of a combination of the two companies. In recognition of the need for rationalization and the prospect for significant synergies in Mexico, in the summer and fall of 2001 there were extensive discussions between Panamco and Coca-Cola FEMSA, and their respective financial, legal and tax advisors, regarding a potential stock-for-stock merger-of-equals combination of Panamco and Coca-Cola FEMSA. These discussions subsequently ended in November 2001, as the parties were unable to agree on a desirable structure for such a combination from a tax and corporate law perspective. No substantive negotiations regarding valuation of Panamco or the relative valuation of Panamco and Coca-Cola FEMSA took place during these discussions.

Following termination of these discussions, in December 2001, José Antonio Fernández Carbajal, the Chairman and Chief Executive Officer of FEMSA and a director of Coca-Cola FEMSA, contacted Mr. Woods Staton, a director of Panamco and a beneficial owner of 39.3% of Panamco s Class B Common Stock, to discuss whether Mr. Staton would be interested in pursuing a transaction that would involve the sale of his shares of Panamco s Class A Common Stock for $18.60 per share, which represented a premium of approximately 25.3% to the average closing price of such shares on The New York Stock Exchange in the month of December 2001, and the sale of his shares of Panamco s Class B Common Stock for $40 per share. Mr. Staton indicated that he was not interested in pursuing a transaction at that time. In the spring of 2002, Mr. Fernández Carbajal informally approached Mr. Staton again about a possible transaction, and Mr. Staton reiterated that he was not interested in pursuing a transaction.

On August 27, 2002, FEMSA, the parent company of Coca-Cola FEMSA, sent a letter to Panamco in which FEMSA proposed a combination of Panamco and Coca-Cola FEMSA in a transaction that would value Panamco at $18.00 per share, consisting of $15.31 in cash and 0.119 American Depositary Shares of Coca-Cola FEMSA. In addition, in this proposal, Panamco stockholders would have the option to receive consideration in the form of unlisted voting shares of Coca-Cola FEMSA up to a maximum aggregate amount of 270,750,000 unlisted voting shares. This proposal further contemplated that FEMSA was prepared to discuss opportunities for a continuing role on the board of the combined company in connection with the issuance of these voting shares. FEMSA s August 27 proposal did not contemplate different treatment of The Coca-Cola Company with respect to its Panamco shares.

On that date, Mr. Fernández Carbajal called Mr. Woods Staton, in his capacity as a significant stockholder of Panamco and a member of the Panamco board, to inform him of this proposal. Mr. Staton and Mr. Fernández Carbajal discussed the terms of the proposal, including whether FEMSA s proposal contemplated different consideration between Panamco s Class A Common Stock and Class B Common

Stock, and Mr. Fernández Carbajal indicated that the proposal did not contemplate such different consideration. Mr. Staton did not engage in these discussions on behalf of the Panamco board.

In addition, a representative of Allen & Company, who is acting as financial advisor to FEMSA in connection with the merger, contacted a senior executive of The Coca-Cola Company, with FEMSA s prior authorization, shortly before delivery of FEMSA s August 27 proposal was made, to inform The Coca-Cola Company of FEMSA s planned proposal. This contact was made as a courtesy to The Coca-Cola Company, as a significant stockholder of Coca-Cola FEMSA, and in order to avoid any misunderstanding between FEMSA and The Coca-Cola Company regarding the terms of FEMSA s August 27 proposal.

During 2002, representatives of Allen & Company engaged in communications with representatives of an affiliate of Venbottling Holdings, Inc., in connection with a matter unrelated to Panamco and Coca-Cola FEMSA in which Allen & Company represented a counterparty engaged in discussions with these representatives. During the course of some of these communications after August 27, 2002, the representatives of Allen & Company occasionally discussed with the representatives of the affiliate of Venbottling Holdings, Inc. the terms of the proposed transaction between Coca-Cola FEMSA and Panamco in order to avoid any misunderstanding regarding the terms of FEMSA s most recent proposal at the time. No negotiations were conducted during such discussions. Allen & Company was authorized by FEMSA to engage in these discussions.

At a number of meetings in the first half of September 2002, the Panamco board, together with Panamco s management, JPMorgan and Panamco s legal advisors, reviewed the August 27 proposal from FEMSA and Panamco s strategic alternatives, including the continued implementation of Panamco s strategic plan. See Special Factors Panamco s Reasons for the Merger and the Recommendation of the Panamco Board on page 22 for a discussion of the strategic alternatives considered by the Panamco board at this and subsequent meetings. The Panamco board also discussed what role, if any, The Coca-Cola Company should play in the consideration by Panamco of FEMSA s proposal, particularly in light of the facts that The Coca-Cola Company had a significant equity interest in both Panamco and Coca-Cola FEMSA, that The Coca-Cola Company had designees on the board of directors of Coca-Cola FEMSA as well as on the Panamco board and that the Amended and Restated Investment Agreement among Panamco, The Coca-Cola Company and a subsidiary of The Coca-Cola Company restricted the ability of The Coca-Cola Company to instigate or participate in change of control transactions affecting Panamco. The Panamco board recognized that under the terms of Panamco s Series C Preferred Stock (all of which is beneficially owned by The Coca-Cola Company), The Coca-Cola Company would have the right to prevent any merger involving Panamco. In light of the substantial equity interest of The Coca-Cola Company in Coca-Cola FEMSA, the Panamco board concluded that the interests of The Coca-Cola Company with respect to Panamco in any combination of Panamco and Coca-Cola FEMSA would relate primarily to its role as franchisor and not to its role as a Panamco stockholder. Accordingly, the Panamco board resolved that Mr. Gary Fayard, who is a director of Panamco and also the chief financial officer of The Coca-Cola Company and was at the time an alternate director of Coca-Cola FEMSA, should not participate in any consideration by the Panamco board of any combination proposal relating to Coca-Cola FEMSA. The Panamco board also resolved that Mr. Henry Schimberg, who is a designee of The Coca-Cola Company to the Panamco board and also Vice-Chairman of Panamco, should not vote on any matter relating to any combination of Panamco with Coca-Cola FEMSA, although the Panamco board determined in light of Mr. Schimberg s experience in the Coca-Cola bottling industry that his input as an officer of Panamco may be helpful to the Panamco board as it considered Panamco s alternatives. In connection with the decision of the Panamco board to permit Mr. Schimberg to participate in meetings relating to consideration of FEMSA s proposal, Panamco and The Coca-Cola Company confirmed that such participation would not constitute a waiver by Panamco of any of its rights under the Investment Agreement and that Mr. Schimberg did not represent The Coca-Cola Company in connection with any consideration by Panamco of a possible business combination with Coca-Cola FEMSA.

After consideration of FEMSA s August 27 proposal and in light of Panamco s other alternatives, on September 18, 2002, the Panamco board rejected FEMSA s August 27 proposal based on its determination that the consideration offered by FEMSA was too low and the proposal was not in the best interests of

Panamco s stockholders. At this meeting, Mr. Woods Staton, who, in addition to being a director and Chairman of Panamco, is a trustee of the Voting Trust and, through the holdings of entities controlled by him that participate in the Voting Trust, the largest single holder of Panamco s Class B Common Stock, indicated to the Panamco board his opposition, and that of the Voting Trust, to FEMSA s August 27 proposal and expressed his preference as a stockholder that Panamco not be sold and that it continue to pursue its business plan. Mr. Staton opposed FEMSA s August 27 proposal because he believed that more value could be delivered to Panamco s stockholders in the long term if Panamco continued to operate as an independent company. The Voting Trust holds approximately 59.5% of Panamco s Class B Common Stock. The trustees of the Voting Trust, Messrs. James Gwynn and Woods Staton, have the power to vote all of Panamco s Class B Common Stock held by the Voting Trust, except in connection with certain business combinations, such as the merger, in respect of which the trustees must vote in accordance with the instructions of the holders of the trust certificates representing Panamco s Class B Common Stock held in the Voting Trust.

On September 27, 2002, FEMSA submitted a revised proposal to Panamco, increasing by $3.00 per share the cash component of its August 27 proposal. Based upon the closing price for the American Depositary Shares of Coca-Cola FEMSA on September 27, 2002, FEMSA s September 27 proposal offered consideration of $20.58 per Panamco share, of which $18.31 was cash and the remainder was in the form of 0.119 American Depositary Shares of Coca-Cola FEMSA. FEMSA s September 27 proposal did not contemplate different treatment of The Coca-Cola Company with respect to its Panamco shares. In this proposal, FEMSA stated that its proposal did not preclude a different allocation of the proposed consideration between Panamco s Class A Common Stock and Panamco s Class B Common Stock. The September 27 proposal contemplated that FEMSA may consider a further increase in the proposed consideration if negotiations were to move rapidly.

On October 7, 2002, the FEMSA board met to consider the status of the negotiations and authorized FEMSA, subject to the pending response of Panamco to its proposal of September 27, 2002, to present, if necessary, an improved offer to Panamco and to announce such offer publicly. Certain members of the senior management of Coca-Cola FEMSA were present at the meeting.

The Panamco board met on October 9, 2002, to consider FEMSA s September 27 proposal. At this meeting, the Panamco board reviewed the revised FEMSA proposal and Panamco s strategic alternatives. The Panamco board also discussed with Panamco s management and with JPMorgan whether the revised FEMSA proposal represented the highest price FEMSA should be willing to pay for Panamco and the appropriate approach to be taken by Panamco in negotiations with FEMSA to have FEMSA increase its price for Panamco. At this meeting, the Panamco board rejected FEMSA s September 27 proposal, in part because the Panamco board believed that such a rejection would elicit a revised proposal from FEMSA offering higher consideration and in part because the Panamco board also determined once again that the consideration being offered by FEMSA in its September 27 proposal was too low. Mr. Woods Staton reiterated his general preference as a stockholder that Panamco not be sold but indicated that if the rest of the Panamco board believed a transaction was appropriate, he would be prepared to consider a sale so long as the terms of any transaction were agreeable to the holders of Panamco s Class B Common Stock. The Panamco board also authorized JPMorgan to inform FEMSA that the Panamco board would be willing to negotiate a transaction involving the acquisition of Panamco at a price that was equivalent to $25.00 per Panamco share. At the October 9, 2002 meeting, the Panamco board preliminarily discussed whether a special committee may be necessary or advisable in light of the potential for a different allocation of the proposed consideration between Panamco s Class A Common Stock and Class B Common Stock.

As directed by the Panamco board, JPMorgan passed on to FEMSA s financial advisors the decisions of the Panamco board. FEMSA s financial advisors inquired about Panamco s reaction to the statement in FEMSA s September 27 proposal that it did not preclude a different allocation of the consideration. In response, JPMorgan told FEMSA s financial advisors that FEMSA s willingness to consider differential allocation by Panamco of the proposed consideration between Panamco s Class A Common Stock and Class B Common Stock would be a productive way to proceed.

In mid-October, FEMSA s financial advisors indicated to JPMorgan that FEMSA was considering increasing its offer to acquire Panamco. According to FEMSA s financial advisors, FEMSA wanted to understand the process the Panamco board would follow in the event of a differential treatment of Panamco s Class A Common Stock and Class B Common Stock. JPMorgan relayed this to the Panamco board.

In response to these concerns, Luiz Furlan, Craig Jung and James Postl, being all the Panamco directors who did not have any direct or indirect interest in Panamco s Class B Common Stock, met separately with Panamco s legal advisors to discuss the possibility of an acquisition transaction involving Panamco that provided differential treatment for holders of different classes of Panamco s Common Stock. At this meeting, the three Panamco directors considered their duties to the holders of Panamco s Class A Common Stock and Class B Common Stock as well as the duties of all the other directors of Panamco in this regard, the rights and obligations of the holders of Panamco s Class B Common Stock, the rights of the holders of Panamco s Class A Common Stock and the legal and practical consequences of the fact that all voting power was vested in Panamco s Class B Common Stock. The three directors noted, based on advice from Panamanian counsel, that the formation of a special committee of the Panamco board to represent only the interests of the holders of Panamco s Class A Common Stock in connection with such a transaction had no basis under Panama law and might not satisfy the legal duties owed by either the members of such committee, or the other Panamco directors, to all Panamco s stockholders. In this respect, Panamanian counsel had advised the Panamco board that under Panamanian corporate law and in the context of Panamco s articles of incorporation and by-laws, each and all the directors owe the same duties and responsibilities to all of Panamco s stockholders, regardless of the class of stock they hold. The three Panamco directors reviewed the relationships of JPMorgan, Cravath, Swaine & Moore (Panamco s principal outside United States legal counsel) and Arias, Fabrega & Fabrega (Panamco s principal outside Panamanian legal counsel) with major holders of Panamco s Class B Common Stock and noted that there were no such relationships that would impair the ability of any of those firms to advise on the appropriateness of such a transaction from the perspective of holders of Panamco s Class A Common Stock. See Special Factors Panamco s Reasons for the Merger and the Recommendation of the Panamco Board Matters Relating to the Differential Treatment of Holders of Panamco s Class A Common Stock and Panamco s Class B Common Stock on page 25 for a further discussion of the matters considered by the three directors at this and subsequent meetings. The three Panamco directors also discussed the approach to negotiating with FEMSA that was most likely to maximize the price that FEMSA would pay for Panamco as a whole and also the price that FEMSA would pay for Panamco s Class A Common Stock. Following these discussions, Messrs. Furlan, Jung and Postl agreed that, if differential treatment of holders of Panamco s Class A Common Stock and Class B Common Stock were proposed, then (1) the Panamco board, Panamco s management and JPMorgan should continue to negotiate the aggregate consideration on behalf of all Panamco s stockholders, (2) the price to be paid per share of Panamco s Class A Common Stock would have to represent a fair price and be supported by a fairness opinion from JPMorgan, and (3) any such transaction would need to be conditioned upon the approval of a majority of the independent holders of Panamco s Class A Common Stock. In light of the proposed requirement for approval of the transaction by a majority of the independent holders of Panamco s Class A Common Stock and the applicable Panamanian law relating to the directors duties to all Panamco s stockholders, the three Panamco directors decided not to propose the formation of a special committee of the Panamco board. This position was relayed by Panamco s management to the other Panamco directors and by JPMorgan to FEMSA s financial advisors.

On October 17, 2002, FEMSA submitted a further revised proposal for the combination of Coca-Cola FEMSA and Panamco at a blended price of $22.50 per Panamco share. In this proposal, stockholders of Panamco (other than The Coca-Cola Company) would have the option of receiving the consideration all in cash or in American Depositary Shares of Coca-Cola FEMSA (up to a maximum of 11,400,000 American Depositary Shares of Coca-Cola FEMSA in the aggregate) with a market value of $22.50 per share, based upon trading prices for the American Depositary Shares of Coca-Cola FEMSA prior to the closing of the transaction. FEMSA s October 17 proposal indicated that The Coca-Cola Company would be treated differently from the other stockholders of Panamco, but the proposal did not specify the details of such treatment. In connection with its October 17 proposal, FEMSA decided to treat The Coca-Cola Company differently from Panamco s other stockholders because it would not have been financially feasible for Coca-

Cola FEMSA to offer The Coca-Cola Company and its subsidiaries cash without materially prejudicing Coca-Cola FEMSA s financial position and plans for the future. FEMSA s October 17 proposal indicated an understanding by FEMSA that Panamco may be considering processes for enabling a different allocation of the proposed consideration between the holders of Panamco s Class A Common Stock and Class B Common Stock. FEMSA s financial advisors also indicated to JPMorgan, on behalf of Panamco, that FEMSA potentially could increase the overall consideration slightly if necessary to obtain the approval of the entire Panamco board.

At the request of FEMSA, a representative of Allen & Company contacted a senior executive at The Coca-Cola Company, shortly before delivery of FEMSA s October 17 proposal was made, to inform The Coca-Cola Company of FEMSA s planned proposal. This contact was made as a courtesy to The Coca-Cola Company, as a significant shareholder of Coca-Cola FEMSA, and in order to avoid any misunderstanding between The Coca-Cola Company and FEMSA regarding the terms of FEMSA s October 17 proposal.

On October 21, 2002, the Panamco board met to consider FEMSA s October 17 proposal. The Panamco board, together with Panamco s management, JPMorgan and Panamco s legal advisors, reviewed FEMSA s October 17 proposal and Panamco s strategic alternatives. The Panamco board also discussed with JPMorgan whether, in JPMorgan s view, FEMSA would be willing to significantly increase its offer and the most appropriate negotiating approach to be taken by Panamco to maximize the value for Panamco s stockholders. Based upon this review and discussion, there was some support among the Panamco directors for a combination at this price level. Mr. Woods Staton, in his capacity as a stockholder, indicated to the Panamco board that he would not be willing to agree to support a transaction in which holders of Panamco s Class B Common Stock received only $22.50 per share. The Panamco board concluded that it would be in the best interests of all Panamco s stockholders for Panamco to continue to negotiate with FEMSA in an attempt to find a transaction that would be satisfactory to the Panamco board and also to the major holders of Panamco s Class B Common Stock and that the most desirable next step would be a counter-proposal from Panamco. To that end, the Panamco board requested that Messrs. Furlan, Jung and Postl, advised by JPMorgan and by Panamco s legal counsel, engage in discussions with Mr. Woods Staton, in his capacity as a stockholder and Voting Trustee, with a view to reaching a specific allocation between Panamco s Class A Common Stock and Class B Common Stock that those four directors would be willing to recommend to the entire Panamco board.

Between October 22 and October 25, Messrs. Furlan, Jung and Postl had discussions with each other and with representatives of JPMorgan and engaged in negotiations with Mr. Woods Staton, in his capacity as a stockholder and Voting Trustee. In those discussions, Mr. Staton initially indicated that he expected a price for Panamco s Class B Common Stock in the range of $45.00 in cash per share. Mr. Staton based this expectation in part on the fact that, in certain transactions in Latin America (all involving Brazilian companies and some staged acquisitions with different classes of shares), very high control premiums had been paid or differential treatment had been offered to holders of equity interests with higher voting power and in part on the fact that Mr. Fernández Carbajal had, in December 2001, suggested a transaction that would have provided a differential of over 100% for his Class B Common Stock. After further negotiations among Messrs. Furlan, Postl and Staton, it was agreed in principle that a transaction in which holders of Panamco s Class A Common Stock would receive $22.50 in cash per share and holders of Panamco s Class B Common Stock would receive $40.00 in cash per share (in each case, other than shares beneficially owned by The Coca-Cola Company) would be acceptable to Messrs. Furlan, Jung, Postl and Staton. At a meeting of the Panamco board on October 25, 2002, the entire Panamco board discussed this suggested counter-proposal. JPMorgan advised the Panamco board that, based on JPMorgan s discussions with FEMSA s financial advisors, it was highly unlikely that FEMSA would accept the increase in aggregate consideration that would be represented by a $22.50/$40.00 in cash per share counter-proposal. Based on this advice, the Panamco board asked Messrs. Furlan, Jung, Postl and Staton to continue their negotiations with a view to presenting a revised proposal to the Panamco board as soon as possible. The Panamco board also considered the alternatives of cash and stock consideration and rejected the idea of seeking to offer Coca-Cola FEMSA stock to all Panamco stockholders, primarily because it concluded that most of Panamco s stockholders would prefer cash and Coca-Cola FEMSA was not offering enough stock consideration to allow the transaction to qualify as a tax-free reorganization for U.S. federal income tax

purposes for all Panamco s stockholders (and Coca-Cola FEMSA would have faced significant Mexican legal difficulties had it sought to do so) and, in any event, the Panamco board concluded that Coca-Cola FEMSA would be willing to offer more consideration to Panamco stockholders (other than The Coca-Cola Company and its subsidiaries) in an all-cash transaction.

Messrs. Furlan, Jung and Postl continued their discussions with each other and with JPMorgan and their negotiations with Mr. Woods Staton. In light of such discussions and negotiations, Messrs. Furlan, Jung and Postl concluded that, subject to receipt of a suitable JPMorgan fairness opinion that the consideration to be paid to the holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock, with respect to such Class A Common Stock, in the proposed merger was fair, from a financial point of view, to such stockholders and approval of a majority of the independent holders of Panamco s Class A Common Stock voting at a stockholders meeting considering such transaction, they would be willing in principle to support a transaction in which holders of Panamco s Class A Common Stock would receive $22.00 in cash per share and holders of Panamco s Class B Common Stock would receive $38.00 in cash per share (in each case, other than shares beneficially owned by The Coca-Cola Company), and Mr. Staton indicated that he would be willing in principle to support such a transaction in his capacity as a beneficial owner of Panamco s Class B Common Stock. In reaching the preliminary allocation of $22.50/$40 and the allocation of $22/$38, the four Panamco directors had the benefit of financial analyses of JPMorgan as to the overall valuation of Panamco (see Special Factors Opinion of Panamco s Financial Advisor for a summary of those analyses). The actual allocation did not, however, result from those analyses but was the result of a negotiation between Messrs. Furlan, Jung and Postl, on the one hand, who sought to maximize the value for holders of Panamco s Class A Common Stock while recognizing that the approval of the Voting Trust was necessary for any transaction, and Mr. Woods Staton, on the other hand, as a Voting Trustee, who sought to maximize the value for holders of Panamco s Class B Common Stock consistent with a fair transaction for all holders of Panamco s Common Stock. None of the four Panamco directors engaged the services of separate investment advisors.

On October 24, 2002, senior executives of Panamco met with senior executives of The Coca-Cola Company and discussed the current status of the proposed transaction, including the possibility of differential treatment of holders of different classes of Panamco s Common Stock and of The Coca-Cola Company. The Panamco representatives also reminded the representatives of The Coca-Cola Company of the standstill obligations of The Coca-Cola Company under the Investment Agreement and reaffirmed that it was the responsibility of the Panamco board (and not The Coca-Cola Company) to negotiate with FEMSA. Subsequent to this meeting, a senior executive of The Coca-Cola Company contacted a representative of Allen & Company to express the desire of The Coca-Cola Company, in its capacity as franchisor and not in any other capacity, that any possible transaction between Coca-Cola FEMSA and Panamco proceed on a negotiated basis.

The Panamco board met on October 28, 2002. The representatives of JPMorgan described the suggested $22.00/$38.00 per share, all cash counter-proposal, and each of Mr. Postl (on behalf of Messrs. Furlan, Jung and Postl) and Mr. Woods Staton, in his capacity as a stockholder and Voting Trustee, indicated that he would be willing in principle to support such a transaction. JPMorgan advised the Panamco board that, although the $22.00/$38.00 per share counter-proposal would represent an increase of approximately $0.35 per share, on a blended basis, over FEMSA s October 21 proposal, the incremental cost could well be acceptable to FEMSA. The Panamco board then discussed with management and Panamco s advisors the appropriate approach to negotiating with FEMSA to maximize value for all Panamco s stockholders. Based upon that discussion, the Panamco board approved an all cash counter-proposal to FEMSA of $22.50 per share for Panamco s Class A Common Stock and $38.00 per share for Panamco s Class B Common Stock (in each case, other than shares beneficially owned by The Coca-Cola Company). JPMorgan was instructed to deliver this counter-proposal to FEMSA s financial advisors. Also at this meeting, Panamco s management described to the Panamco board the management s meeting with The Coca-Cola Company on October 24. Panamco s advisors informed the Panamco board that due to the standstill provisions of the Investment Agreement, which preclude The Coca-Cola Company from assisting, advising or engaging in discussions with any person proposing to enter into any merger or business combination involving Panamco, The Coca-Cola

Company could not discuss the terms of the proposed differential treatment of The Coca-Cola Company with FEMSA. The Panamco board considered a proposal by management to grant a consent to The Coca-Cola Company to enter into such discussions, limited to certain topics and in duration, and instructed management to grant such a limited consent to facilitate those discussions upon terms that would not affect the Panamco board s control over the negotiations with FEMSA.

On October 31, 2002, FEMSA s financial advisors contacted JPMorgan and indicated that FEMSA was increasing its offer by an aggregate of $35 million in cash and eliminating the option of receiving the consideration in American Depositary Shares of Coca-Cola FEMSA (except for amounts payable to The Coca-Cola Company for its Panamco shares). FEMSA s financial advisors indicated that the offer to The Coca-Cola Company for its Panamco shares would be at a price of $22.00 per share payable in the form of Coca-Cola FEMSA shares. FEMSA proposed this $22.00 value for the stock consideration, rather than a higher value, because FEMSA wanted to limit the dilution of its beneficial ownership of capital stock and voting stock of Coca-Cola FEMSA, as well as to limit the dilution of the ownership percentage of the capital stock of Coca-Cola FEMSA represented by the publicly traded Series L Shares of Coca-Cola FEMSA. FEMSA did not propose a lower value because FEMSA anticipated that the transaction would be more likely to appear reasonable to The Coca-Cola Company if the stock consideration that The Coca-Cola Company would be receiving appeared to have a market valuation, at least during a period preceding the announcement of the merger, that was not less than the value of the cash consideration being paid for each share of Panamco s Class A Common Stock held by persons other than subsidiaries of The Coca-Cola Company. In addition, FEMSA decided to eliminate the option of receiving the consideration in Coca-Cola FEMSA s American Depositary Shares because FEMSA believed cash consideration would be easier for the public shareholders of Panamco to value and understand and, at the time, FEMSA believed that an all-cash offer would be more effective if the proposal were made public. In addition, the Panamco board and Panamco s advisor had not given any indication that equity consideration would be viewed by Panamco as more attractive than cash consideration.

On November 1, 2002, the Panamco board met again. JPMorgan explained the terms of the revised FEMSA proposal, that it represented an implicit rejection by FEMSA of the $22.50/$38.00 counterproposal of October 28, 2002, but that it would represent an all cash price of $22.00 per share for Panamco s Class A Common Stock (excluding shares beneficially owned by The Coca-Cola Company through its subsidiaries), an all cash price of $38.00 per share for Panamco s Class B Common Stock (excluding shares beneficially owned by The Coca-Cola Company through its subsidiaries) and a price of $22.00 per share, payable in non-traded Coca-Cola FEMSA Series D shares, for Panamco shares beneficially owned by The Coca-Cola Company. On this basis, the Panamco board authorized commencement of negotiations with FEMSA and Coca-Cola FEMSA toward definitive documentation to implement the transaction and the commencement by them of appropriate due diligence in respect of the proposed combination.

On November 14, 2002, Panamco, FEMSA and Coca-Cola FEMSA executed a confidentiality agreement to permit Coca-Cola FEMSA access to confidential information regarding Panamco. Also on November 14, Panamco and The Coca-Cola Company entered into a consent under the Investment Agreement to permit FEMSA, Coca-Cola FEMSA and The Coca-Cola Company to engage in discussions regarding the terms upon which The Coca-Cola Company might consent to the proposed combination of Panamco and Coca-Cola FEMSA. The consent granted to The Coca-Cola Company, a copy of which is filed as an exhibit to the Schedule 13E-3 that is filed in connection with the merger with the Securities and Exchange Commission, permitted The Coca-Cola Company to discuss with FEMSA and Coca-Cola FEMSA matters limited to the form and amount of consideration The Coca-Cola Company would receive for its shares of Panamco, the amount, terms, valuation and contractual rights of any securities that The Coca-Cola Company would receive as consideration in the transactions and the terms of any voting agreement it would enter into in support of the proposed transaction. The terms of the consent specifically prohibited The Coca-Cola Company from entering into any discussions with FEMSA and Coca-Cola FEMSA regarding the fairness, adequacy or advisability of the consideration offered by FEMSA s proposal to the stockholders of Panamco (other than The Coca-Cola Company and its subsidiaries) or entering into any understanding,

commitment or agreement on the part of The Coca-Cola Company to support any business combination between FEMSA or Coca-Cola FEMSA, on the one hand, and Panamco, on the other hand, other than a combination approved in advance by the Panamco board.

Upon execution of these agreements, Coca-Cola FEMSA commenced due diligence with respect to Panamco; FEMSA, Coca-Cola FEMSA and The Coca-Cola Company commenced detailed discussions regarding the implications of the proposed combination for The Coca-Cola Company; and the legal advisors to Panamco and Coca-Cola FEMSA began negotiation of the terms of the Merger Agreement and related documentation.

On November 15, 2002, representatives of Allen & Company met with representatives of The Coca-Cola Company to present the terms of the proposed transaction to The Coca-Cola Company. Allen & Company informed The Coca-Cola Company that the FEMSA proposal contemplated that The Coca-Cola Company would receive merger consideration in the form of unlisted voting stock of Coca-Cola FEMSA and that a value of $22.00 per share would be attributed to each share of Panamco s stock beneficially owned by The Coca-Cola Company. In addition, The Coca-Cola Company was informed that the proposed subscription value to be attributed to shares of Coca-Cola FEMSA to be delivered to The Coca-Cola Company in connection with the merger was proposed to be based on a market price average for the American Depositary Shares of Coca-Cola FEMSA and that FEMSA proposed to invest approximately $260 million in Coca-Cola FEMSA in connection with the merger on the basis of the same subscription price to be agreed with The Coca-Cola Company. Allen & Company presented to The Coca-Cola Company a preliminary financial analysis of Panamco based on publicly available information. Finally, The Coca-Cola Company was asked to consider providing a $250 million stand-by credit facility to Coca-Cola FEMSA in order to support the operations of the combined company following completion of the merger.

On December 2, 2002, the Coca-Cola FEMSA board met to discuss the terms of the proposed merger and the status of the negotiations regarding the merger. Designees of The Coca-Cola Company were present at the meeting, and the board was informed that discussions were ongoing with The Coca-Cola Company regarding its support for and participation in the merger.

On December 6, 2002, representatives of FEMSA, Coca-Cola FEMSA and Allen & Company met with representatives of The Coca-Cola Company in Atlanta to discuss the proposed transaction. The Coca-Cola Company informed FEMSA that there were a number of operational and business issues regarding the combined company that The Coca-Cola Company wanted to address prior to agreeing to support the merger. Thereafter, The Coca-Cola Company requested that Coca-Cola FEMSA indemnify it for certain risks relating to the transaction and its new investment in Coca-Cola FEMSA. Conversations were subsequently held by representatives of both sides to negotiate these requests. The parties understandings regarding these operational and business issues were subsequently memorialized in a memorandum. This memorandum is included as Annex E to this proxy statement. The agreed terms of this indemnity are set forth in The Coca-Cola Company Stockholders Agreement, which is included as Annex B to this proxy statement. See The Merger Agreement and the Stockholder Agreements The Stockholder Agreements The Coca-Cola Company Stockholders Agreement on page 89 for a discussion of these provisions.

On December 16, 2002, the Panamco board met to review the status of negotiations regarding the proposed combination. At this meeting, Panamco s management discussed with the Panamco board the status of Coca-Cola FEMSA s due diligence, and Panamco s legal advisors discussed the terms of the Merger Agreement and the documentation necessary to give effect to the proposed combination, which were to include stockholder agreements from the Voting Trust and The Coca-Cola Company, as well as the likely terms of other arrangements with The Coca-Cola Company. With respect to the Merger Agreement, the most significant issue that remained open at this time was related to Coca-Cola FEMSA s proposed financing for the transaction. The Panamco board discussed with Panamco s management, JPMorgan and Panamco s legal advisors the issues for Panamco and its stockholders arising out of the inclusion in the Merger Agreement of a financing condition. At this meeting, JPMorgan s representatives informed the Panamco board that JPMorgan and JPMorgan Chase Bank, an affiliate of JPMorgan, had been asked by Coca-Cola FEMSA to be parties to the commitment letter to be entered into by Coca-Cola FEMSA in connection with the financing of the proposed transaction. The Panamco board considered, among other things, that the

negotiations with Coca-Cola FEMSA relating to the prices to be paid for Panamco s stock had ended a number of weeks before JPMorgan Chase Bank had been approached by Coca-Cola FEMSA to participate in the financing and that JPMorgan would likely receive higher fees pursuant to its engagement by Panamco than pursuant to its participation in such financing. The Panamco board also noted that it was not subject to any requirement that JPMorgan be unconflicted and that the participation of JPMorgan and JPMorgan Chase Bank in Coca-Cola FEMSA s financing, due to their strong position in syndicated finance in Latin America, offered greater assurance to the Panamco board that the financing for the proposed transaction would be successfully completed. As a result of these considerations, the Panamco board concluded that JPMorgan s participation in Coca-Cola FEMSA s financing arrangements did not impair the independence or advice of JPMorgan and that Panamco should consent to JPMorgan participating in Coca-Cola FEMSA s financing. Other issues that remained unresolved at this time included the scope of the material adverse effect condition and the covenants that would limit the conduct by Panamco of its business prior to closing. At the conclusion of this meeting, the Panamco board authorized management to continue to negotiate the terms of the proposed combination.

On December 16, 2002, the boards of FEMSA and Coca-Cola FEMSA met separately to review the status of negotiations regarding the proposed combination and findings of the due diligence performed by Coca-Cola FEMSA on Panamco. The FEMSA board was also informed about the status of negotiations with The Coca-Cola Company.

On December 18, 2002, Messrs. Furlan, Jung and Postl met with Panamco s legal advisors to discuss the proposed combination. Representatives of Cravath, Swaine & Moore confirmed to the three Panamco directors that the Merger Agreement did provide for a closing condition relating to the approval of the transaction by a majority of the independent holders of Panamco s Class A Common Stock present at a stockholders meeting considering such transaction and that the fairness opinion from JPMorgan relating to the transaction would state that the consideration to be paid to the holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock, with respect to such Class A Common Stock, in the proposed merger was fair, from a financial point of view, to such stockholders. After discussion, the three Panamco directors reconfirmed their support for a transaction in which the holders of Panamco s Class A Common Stock would receive $22.00 per share in cash and the holders of Panamco s Class B Common Stock would receive $38.00 per share in cash (in each case, other than subsidiaries of The Coca-Cola Company).

On December 19, 2002, the Coca-Cola FEMSA board met again and approved the merger with Panamco. The designees of The Coca-Cola Company to the Coca-Cola FEMSA board abstained from voting on the resolution approving the merger.

On December 20, 2002, the Panamco board met again. Panamco s management, together with JPMorgan and Panamco s legal advisors, updated the Panamco board on the status of discussions with Coca-Cola FEMSA, including the open issues on the Merger Agreement. At this time, the only significant issue that remained unresolved in the Merger Agreement was the scope of the material adverse effect condition. As part of the discussion, JPMorgan presented its financial analysis of the transaction and reviewed again with the Panamco board the various strategic alternatives that had been discussed at prior meetings. The Panamco board also reviewed the terms of the arrangements among FEMSA, Coca-Cola FEMSA and The Coca-Cola Company in connection with the merger. The representatives of JPMorgan delivered JPMorgan s oral opinion to the Panamco board, confirmed in writing, that, as of December 20, 2002, the consideration to be paid to the holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock, with respect to such Class A Common Stock, in the proposed merger was fair, from a financial point of view, to such stockholders. After further deliberation, the Panamco board approved the Merger Agreement and the merger with Coca-Cola FEMSA and resolved to recommend to Panamco s stockholders that they vote for approval of the Merger Agreement.

On December 21, 2002, following up on previous meetings and discussions from time to time relating to the various proposals of Coca-Cola FEMSA, Messrs. Woods Staton and James Gwynn, as Voting Trustees, and certain other principal participants in the Voting Trust had telephonic meetings with Simpson

Thacher & Bartlett, United States legal counsel to the Voting Trust, to discuss the principal terms of the Merger Agreement and the Voting Trust Stockholder Agreement pursuant to which these Voting Trust participants agreed to vote in favor of the merger.

Negotiations with respect to the Merger Agreement continued over the next two days. The Merger Agreement was finalized and executed on December 22, 2002. On the morning of December 23, 2002, Coca-Cola FEMSA and Panamco publicly announced the execution of the Merger Agreement.

Panamco s Reasons for the Merger and the Recommendation of the Panamco Board

After careful consideration, the Panamco board has determined that the merger is fair to and in the best interests of Panamco and all its stockholders (other than The Coca-Cola Company and its subsidiaries). The Panamco board recommends that you vote or give instructions to vote FOR the proposal to approve the Merger Agreement and the merger.

The foregoing resolutions were approved unanimously by the Panamco board, with Mr. Gary Fayard not present and Mr. Henry Schimberg abstaining. See Special Factors Background of the Merger on page 14 for a discussion of the reasons for Mr. Fayard s absence and Mr. Schimberg s abstention.

The Panamco board has also determined that the merger is fair to the unaffiliated stockholders of Panamco.

In considering the recommendation of the Panamco board with respect to the Merger Agreement, you should be aware that the directors and executive officers of Panamco have interests in the merger that are different from, or are in addition to, the interests of Panamco stockholders generally. Other than Mr. Fayard (who was not present), the recommendation of the Panamco board was approved by all Panamco directors who are not also officers or employees of Panamco. See Special Factors Interests of Certain Persons in the Merger on page 51 for a discussion of these interests.

In reaching its decision to recommend the merger and the Merger Agreement, the Panamco board considered a wide variety of factors. In light of the complexity of those factors, the Panamco board did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to these specific factors it considered in reaching its decision. In addition, individual members of the Panamco board may have given different weights to different factors. The Panamco board reached its determination to recommend the merger and the Merger Agreement in the absence of the retention of an unaffiliated representative to act solely on behalf of Panamco s unaffiliated security holders because of the overall impact of the factors noted below that support its determination.

The Panamco board s analysis in reaching its determinations with respect to the Merger Agreement and the merger is described in more detail below.

Factors Supporting the Merger

In this section, we discuss all material factors considered by the Panamco board in favor of the Merger Agreement and the merger.

The Panamco board believes that the merger is Panamco s best strategic alternative

The Panamco board believes that the merger with Coca-Cola FEMSA represents the best strategic alternative available to Panamco and its stockholders. The Panamco board reached this conclusion after reviewing the generally prevailing conditions in the Coca-Cola bottling industry in Latin America and Panamco s own experience in recent years.

The Panamco board reviewed and considered in detail and at length a number of possible alternatives to the merger, including:

Continuing to operate Panamco as an independent public company. The Panamco board considered whether Panamco should continue to operate as an independent Coca-Cola bottling company in Latin America. Based on the review by the Panamco board of Panamco s strategic plan, general economic

and political conditions in Latin America, the discounted cash flow analysis and analysis of the present value of the theoretical future price of Panamco s Common Stock prepared by JPMorgan (described under Special Factors Opinion of Panamco s Financial Advisor) and Panamco s prospects for growth, the Panamco board concluded that, although continuing to operate Panamco as an independent company could over the long term lead to the Panamco stock price appreciating to levels comparable to the value being offered in the merger with Coca-Cola FEMSA, there was substantial business execution risk associated with that strategy as it would require a marked improvement in Panamco s operating performance. In addition, the successful implementation of Panamco s strategic plan as a stand-alone company would depend upon a significant reversal of general economic and political conditions in South America. The Panamco board, based on the advice of Panamco s management, publicly available sources and views expressed by Panamco directors familiar with the general economic and political conditions in South America, did not expect such a reversal in the short term. In light of these considerations, the Panamco board concluded that the merger with Coca-Cola FEMSA offered better and more certain value for Panamco s stockholders than continuing to operate Panamco as a going concern as an independent public company.

Other merger partners. The Panamco board, together with Panamco s management and JPMorgan, considered whether any other merger partner would represent an opportunity for greater stockholder value than Coca-Cola FEMSA. Based upon their knowledge of other actual and potential participants in the Coca-Cola bottling sector in Latin America and on the analysis of JPMorgan, the Panamco board concluded that Coca-Cola FEMSA was the best merger partner for Panamco. As a result, the Panamco board did not believe it necessary to solicit other offers for Panamco, although the Panamco board noted that the Merger Agreement would not preclude an unsolicited, superior competing bid for Panamco.

The break-up/liquidation of Panamco. The Panamco board also reviewed a variety of alternatives relating to the break-up of Panamco, including (1) the sale of all Panamco s assets and (2) the sale of Panamco s Mexican assets and the retention of its other assets, and considered JPMorgan s analysis of Panamco s illustrative break- up value of $20.43 to $25.15 per share of Panamco s Common Stock (described under Special Factors Opinion of Panamco s Financial Advisor). The Panamco board noted that the implementation of these alternatives did provide some prospect for stockholder value comparable to the proposed merger with Coca-Cola FEMSA. The Panamco board concluded, however, that the significant execution risk (primarily the very limited number of potential acquirors willing and able to acquire portions of Panamco s assets and business at values which, on a relative basis, would be comparable to FEMSA s proposal) and potential tax costs associated with the implementation of either of these alternatives rendered each of them inferior to the proposed merger with Coca-Cola FEMSA. In this regard, the Panamco board was particularly concerned that Panamco might not be able to sell its businesses in South America, leaving the Panamco stockholders with an ongoing equity interest in a weaker company.

Leveraged recapitalization. The Panamco board also considered the possibility of a leveraged recapitalization of Panamco, to return value to Panamco s stockholders in the form of cash. However, given the prevailing difficult economic conditions in Latin America, the Panamco board concluded that it was an inappropriate time to increase significantly the debt burden on Panamco.

$22.00 per share for Panamco s Class A Common Stock represents a significant premium

The Panamco board noted JPMorgan s analysis (described under Special Factors Opinion of Panamco s Financial Advisor) that the price of $22.00 per share for Panamco s Class A Common Stock represented a significant premium to its recent trading performance. In particular, the $22.00 per share price represented:

a premium of 118% over the closing price of Panamco s Class A Common Stock on December 19, 2002;

a premium of 138% over the average closing price of Panamco s Class A Common Stock for the month prior to December 19, 2002; and

a premium of 145% over the average closing price of Panamco s Class A Common Stock for the three months prior to December 19, 2002.

The Panamco board noted in its deliberations that the trading price of Panamco s Class A Common Stock had declined significantly over the preceding twelve months and that the $22.00 per share price represented an 18% premium over the highest closing price during the twelve-month period preceding December 19, 2002. See The Panamco board believes that the merger is Panamco s best strategic alternative above for a discussion of the Panamco board s views relating to the outlook for Panamco s operations in South America over the short term. The Panamco board believes that the premium offered constitutes a compelling reason for the transaction.

The analyses and opinion of JPMorgan that, as of December 20, 2002, the consideration to be paid to the holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock, with respect to such Class A Common Stock, in the proposed merger was fair, from a financial point of view, to such stockholders

As part of its deliberations, the Panamco board requested the advice of JPMorgan, its financial advisor, regarding the merger. In its deliberations, the Panamco board considered the financial analyses presented to it by JPMorgan, as well as the oral opinion of JPMorgan, confirmed in writing, delivered on December 20, 2002, to the effect that as of December 20, 2002, the consideration to be paid to the holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock, with respect to such Class A Common Stock, in the proposed merger was fair, from a financial point of view, to such stockholders. See Special Factors Opinion of Panamco s Financial Advisor on page 28 for a summary of JPMorgan s opinion and analyses. In its review of JPMorgan s financial analyses, the Panamco board did not weigh each analysis prepared by JPMorgan separately, but rather considered all of them taken as a whole. The Panamco board noted that JPMorgan s opinion addressed the fairness to the holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock, with respect to such Class A Common Stock, rather than separately addressing the fairness of the merger to the unaffiliated stockholders of Panamco, and the Panamco board determined that it could reach its own conclusion as to that issue based on JPMorgan s analyses.

In relying upon JPMorgan s analyses and opinion, the Panamco board was aware of the contingent nature of JPMorgan s fee arrangement with Panamco (see Special Factors Opinion of Panamco s Financial Advisor for a discussion of JPMorgan s fee). The Panamco board believed that the amount of the contingent fee better aligned the interests of JPMorgan with those of Panamco s stockholders, taken as whole, by motivating JPMor