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

2) Form, Schedule or Registration Statement No.:

Schedule 13E-3

3) Filing Parties:

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

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

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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 JPMorgan to seek to maximize stockholder value in connection with all its advice to the Panamco board. On this basis, the Panamco board concluded that its reliance on JPMorgan s advice and opinion was appropriate notwithstanding the contingent fee.

In addition, the Panamco board also considered the fact that JPMorgan Chase Bank and JPMorgan were expected to be parties to the commitment letter entered into by Coca-Cola FEMSA to finance the transaction, and discussed JPMorgan s qualifications and independence from FEMSA and Coca-Cola FEMSA. The Panamco board considered multiple factors before concluding that JPMorgan s relationship with Coca-Cola FEMSA and FEMSA did not impair the ability of the Panamco board to rely on the opinion and advice of JPMorgan. For a discussion of the factors considered by the Panamco board, see Background of the Merger on pages 20-21.

Matters Relating to the Differential Treatment of The Coca-Cola Company

In reaching its determination to approve the merger, the Panamco board noted that The Coca-Cola Company was being treated differently in the merger from the other stockholders of Panamco. The Coca-Cola Company and its subsidiaries are receiving stock consideration in the merger in contrast to the other stockholders of Panamco who are receiving all-cash consideration. See Special Factors Arrangements with The Coca-Cola Company Merger Arrangements and Proposed New Operational Arrangements on page 59 for a discussion of the arrangements with The Coca-Cola Company entered into in connection with the merger. The Panamco board determined to approve the Merger Agreement and the merger, notwithstanding the differential treatment of The Coca-Cola Company, for the following reasons.

Fairness of the transaction to the other Panamco stockholders

The Panamco board concluded that the $22.00 per share for Panamco s Class A Common Stock and $38.00 per share for Panamco s Class B Common Stock, to be received by all Panamco s stockholders other than subsidiaries of The Coca-Cola Company, was fair to those other stockholders, for the reasons discussed above under the heading Factors Supporting the Merger.

Stockholder approval

The merger requires approval by stockholders of Panamco that are not affiliated with The Coca-Cola Company. The Panamco board noted that the Voting Trust, which is the largest single holder of Panamco s Class B Common Stock, and Venbottling Holdings, Inc., one of the largest stockholders of Panamco after The Coca-Cola Company, fully supported the transaction. In addition, the Panamco board noted that the transaction was conditioned upon the approval of a majority of the independent holders of Panamco s Class A Common Stock present at a stockholders meeting considering such transaction.

Relative consideration to be received by The Coca-Cola Company in the merger

The Panamco board noted that the notional value of the consideration to be received by The Coca-Cola Company as a consequence of the merger was $22.00 per Panamco share, including $22.00 per share of Panamco s Class B Common Stock beneficially owned by The Coca-Cola Company. This represented a lower price per share for Panamco s Class B Common Stock than that to be received by other holders of both Panamco s Class A Common Stock and Class B Common Stock.

The Panamco board also noted that the Coca-Cola FEMSA Series D shares to be received by The Coca-Cola Company as a consequence of the merger were not traded on any active securities market and thus would not be attractive to most Panamco stockholders. In addition, the Panamco board noted that those shares would be valued based upon the trading prices for American Depositary Shares of Coca-Cola FEMSA prior to the announcement of the transaction, which would result in The Cola-Cola Company being exposed to downward movements in the trading prices for Coca-Cola FEMSA s shares in the period of time prior to closing.

Other arrangements

The Panamco board reviewed the terms of the proposed operational and business arrangements between The Coca-Cola Company and FEMSA regarding Coca-Cola FEMSA, which were memorialized in a memorandum attached to this proxy statement as Annex E and summarized under Arrangements with The Coca-Cola Company Merger Arrangements and Proposed New Operational Arrangements on page 59. This memorandum included a provision indicating that, subject to the execution and delivery of mutually satisfactory definitive agreements, The Coca-Cola Company intends to grant Coca-Cola FEMSA at the effective time of the merger a stand-by line of credit in the amount of $250 million in order to support continuous investments that Coca-Cola FEMSA may require during any economically difficult period in the first three years of operation after the merger. The Panamco board evaluated the terms of these arrangements, individually and in their entirety, from the perspective of whether they would represent a transfer of value to The Coca-Cola Company, and the Panamco board concluded that none of these arrangements would likely represent a significant financial benefit to The Coca-Cola Company.

The Panamco board believed that the potential benefits to The Coca-Cola Company are derived not from the terms of the merger or the other arrangements memorialized in Annex E, but rather, in The Coca-Cola Company s capacity as franchisor, from the overall strengthening of the Coca-Cola bottling system in Latin America.

Matters Relating to the Differential Treatment of Holders of Panamco s Class A Common Stock and Panamco s Class B Common Stock

In reaching its decision to recommend the Merger Agreement and the merger, the Panamco board took into consideration the fact that the holders of Panamco s Class A Common Stock would receive $22.00 per share and holders of Panamco s Class B Common Stock would receive $38.00 per share (in each case, other than The Coca-Cola Company and its subsidiaries). Notwithstanding this differential treatment, the Panamco board unanimously recommends to Panamco s stockholders that they approve the Merger Agreement and the merger. In reaching their decision to recommend the Merger Agreement to Panamco s stockholders, Messrs. Furlan, Jung and Postl, being the members of the Panamco board who did not directly or indirectly have any interest in Panamco s Class B Common Stock, took into account the following factors.

Fairness of the price to holders of Panamco s Class A Common Stock

Messrs. Furlan, Jung and Postl concluded that $22.00 per share for holders of Panamco s Class A Common Stock represented a fair price for those holders, particularly in light of Panamco s strategic alternatives, for the reasons discussed above under the heading Factors Supporting the Merger. Messrs. Furlan, Jung and Postl noted in particular that JPMorgan was delivering an 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. Messrs. Furlan, Jung and Postl also noted that the blended price of approximately $22.85 per share being attributed to all shares of Panamco s Common Stock (on a diluted basis) represented less than a 4% premium to the price of $22.00 per share being received by holders of Panamco s Class A Common Stock.

Rights of holders of Panamco s Common Stock

Messrs. Furlan, Jung and Postl noted that, under Panamco s articles of incorporation, holders of Panamco s Class A Common Stock had no right to vote on the merger and that there was not any limit under applicable Panamanian law on the ability of holders of Panamco s Class B Common Stock to approve a merger transaction in which classes of shares were treated differently. Messrs. Furlan, Jung and Postl recognized that the approval of the major holders of Panamco s Class B Common Stock was essential to implementation of the transaction and, based upon their own direct negotiations with representatives of the Voting Trust, that it was unlikely that those holders could have been persuaded to accept a price less than $38.00 per share. Messrs. Furlan, Jung and Postl also noted that Coca-Cola FEMSA required certain significant beneficial owners of Panamco s Class B Common Stock to enter into agreements in support of the proposed transaction as a condition of such proposed transaction.

Messrs. Furlan, Jung and Postl also recognized that the Panamco board has the ability, under Panamco s articles of incorporation, to cause the conversion of Panamco s Class B Common Stock into Class A Common Stock under certain circumstances and considered the risks associated with attempting to cause such a conversion. The three Panamco directors recognized that such a conversion would be deemed to result in a change of control and would constitute an event of default pursuant to many of the debt instruments to which Panamco was a party, and could require Panamco to refinance such debt instruments on short notice and on unfavorable terms. The three Panamco directors also received legal advice to the effect that the conversion right was of uncertain enforceability. The directors believed that neither Coca-Cola FEMSA nor any other reasonable potential acquiror of Panamco would agree to enter into a transaction that involved the forced conversion of Panamco s Class B Common Stock in light of potential lawsuits that could be brought by holders of Panamco s Class B Common Stock, who could successfully assert that the conversion was not in the best interests of Panamco s stockholders generally, as required by Panamco s articles of incorporation. In summary, the three Panamco directors did not believe that the 4% increase in price that theoretically could be achieved in favor of the holders of Panamco s Class A Common Stock as a result of the conversion of Panamco s Class B Common Stock justified the increased transaction risk and significant potential delays implicated by such conversion. Accordingly, the three Panamco directors concluded that any attempt to exercise that conversion right, so as to eliminate the differential treatment, was not in the best interests of holders of Panamco s Class A Common Stock.

Stockholder approval

Messrs. Furlan, Jung and Postl noted that the completion of the transaction was conditioned upon the approval of a majority of the independent holders of Panamco s Class A Common Stock present at a stockholders meeting considering such transaction.

Material Negative Factors

In addition to the matters described above, the Panamco board considered a number of negative factors with respect to the proposed merger and the Merger Agreement. However, the Panamco board determined that the negative factors were outweighed by the potential benefits to Panamco s stockholders from the merger, as described above.

The material negative factors considered by the Panamco board were as follows.

Financing and ratings conditions

The completion of the merger is conditioned upon receipt by Coca-Cola FEMSA of financing and of confirmation that its final foreign currency debt ratings would be at least at certain specified levels, with a stable outlook. The Panamco board recognized that the satisfaction of the ratings condition was also a condition to the receipt of financing by Coca-Cola FEMSA from its lenders and the financing and ratings conditions created an undesirable level of contingency with respect to the proposed transaction. The Panamco board concluded, however, based upon discussions with Panamco s management, JPMorgan and Panamco s legal advisors, that it was very unlikely that Coca-Cola FEMSA would agree to the merger, at this price, without a financing condition and the related ratings condition. The Panamco board noted, in connection with the ratings condition, that the preliminary indications from the relevant ratings agencies, based on Coca-Cola FEMSA s discussions with them, had been affirmative that satisfactory ratings would be obtained. The Panamco board also noted that, under certain circumstances, Coca-Cola FEMSA would be required to pay a break-up fee, including potential reimbursement of expenses, of up to $140,000,000 to Panamco if the proposed merger failed for lack of financing. The Panamco board also considered the strength of JPMorgan Chase Bank and Morgan Stanley Senior Funding, the lead lenders to Coca-Cola FEMSA, and the reputational issues for those two institutions should they fail to deliver financing to Coca-Cola FEMSA. See Special Factors Financing of the Merger on page 61 for a discussion of Coca-Cola FEMSA s financing and see The Merger Agreement and the Stockholder Agreements The Merger Agreement on page 85 for a discussion of Coca-Cola FEMSA s break-up fee.

Material Adverse Effect condition

The Panamco board considered that the Merger Agreement contained a material adverse effect condition that introduced a further level of contingency to the transaction. The Panamco board recognized that such condition did not contain absolute exclusions for continuing adverse political developments in Venezuela. At the time the Merger Agreement was signed, the Venezuelan general strike was continuing, and the Panamco board concluded that it would be difficult for Coca-Cola FEMSA and its lenders to accept the risk of a further deterioration in Venezuela. The Panamco board determined, however, that it was more likely than not that the situation in Venezuela would not deteriorate further after the signing of the Merger Agreement and would perhaps improve by the time of the closing. The Panamco board also noted that the Venezuelan operations were projected to represent a small fraction of Panamco s cash operating profit for 2003 and, as a result, negative developments affecting the Venezuelan operations would be unlikely to have a material adverse effect on Panamco, taken as a whole. See The Merger Agreement and the Stockholder Agreements The Merger Agreement on pages 76-77 for a discussion of the material adverse effect condition in the Merger Agreement.

Risks to Panamco if the merger did not close

The Panamco board discussed at length the risks to Panamco should the proposed merger with Coca-Cola FEMSA be announced but not be completed for any reason. These risks included, but were not limited to, the fluctuations that would be caused in the market price of Panamco s Class A Common Stock, potential loss of employees, potential short-term loss of management focus, potential loss of acquisition opportunities and the disruption to the conduct of Panamco s business. The Panamco board discussed the principal conditions to the merger, including the financing and material adverse effect conditions described above, and the covenants restricting the ability of Panamco to conduct its business in the ordinary course between signing and closing.

Other Considerations

In addition to the matters described above, the Panamco board considered the following factors in evaluating the merger:

the fact that executive officers and directors of Panamco may have interests in the merger, which the Panamco board noted are different from, or are in addition to, the interests of Panamco stockholders generally, including the matters described under Special Factors Interests of Certain Persons in the Merger on page 51, although the Panamco board concluded that such interests were not significant in light of the consideration that the unaffiliated stockholders of Panamco would receive in the merger;

the terms of the Merger Agreement, including the restrictions on Panamco s ability to respond to competing proposals and termination provisions and the possibility that Panamco would be required to pay a break-up fee to Coca-Cola FEMSA in connection with a competing transaction, which the Panamco board concluded would not preclude a proposal materially more favorable to the unaffiliated stockholders of Panamco; and

Panamco s historic reported results and current financial condition, including the net book value of its assets (which was $7.07 per share (basic) and $7.04 per share (diluted) at September 30, 2002), although in light of the recent volatility of Panamco s reported earnings the Panamco board did not attach significant weight to Panamco s historic performance.

In evaluating the fairness of the merger, the Panamco board did not consider the following:

terms of any firm offers to acquire shares of Panamco stock made by any person unaffiliated with Panamco or the purchase prices paid in purchases by Coca-Cola FEMSA of Panamco stock during the preceding two years, since the Panamco board was not aware of any such offers or purchases;

the purchase prices paid by Panamco for purchases of Panamco s Class A Common Stock in the preceding two years, except to the extent it considered historical market prices generally; and

the fact that Morgan Stanley & Co., financial advisor to Coca-Cola FEMSA and referred to in this proxy statement as Morgan Stanley, would be delivering a fairness opinion relating to the fairness of the proposed transaction to Coca-Cola FEMSA, since the Panamco board did not consider such opinion was relevant to its own determination of the fairness of the proposed transaction to Panamco s stockholders who are not affiliated with Panamco and The Coca-Cola Company.

Opinion of Panamco s Financial Advisor

Pursuant to an engagement letter dated September 9, 2002, Panamco retained JPMorgan as its exclusive financial advisor in connection with Panamco s consideration of any proposed combination with Coca-Cola FEMSA, as well as various other potential acquisitions and dispositions by Panamco.

At the meeting of the Panamco board on December 20, 2002, JPMorgan rendered its oral opinion, confirmed in writing, to the Panamco board that, as of such date, 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. To the extent that a stockholder, other than The Coca-Cola Company and its subsidiaries, has a relationship with Panamco apart from ownership of Panamco s Class A Common Stock (for example, a stockholder who may be an affiliate of Panamco by virtue of owning a majority of Panamco s Class B Common Stock), the opinion of JPMorgan with respect to the consideration to be paid to that stockholder relates only to the consideration to be paid for the stockholder s shares of Panamco s Class A Common Stock. No limitations were imposed by Panamco s board upon JPMorgan with respect to the investigations made or procedures followed by it in rendering its opinion.

The full text of the written opinion of JPMorgan dated December 20, 2002, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached as Annex D to this proxy statement and is incorporated herein by reference. The holders of Panamco s Class A Common Stock are urged to read the opinion in its entirety. JPMorgan s written opinion is addressed to the Panamco board, is directed only to 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 merger and does not constitute a recommendation to any stockholder of Panamco as to how such stockholder should vote at the special meeting. The summary of the opinion of JPMorgan set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion.

In arriving at its opinion, JPMorgan, among other things:

reviewed a draft dated December 20, 2002 of the Merger Agreement;

reviewed certain publicly available business and financial information concerning Panamco and the industries in which it operates;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;

compared the financial and operating performance of Panamco with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of Panamco s Class A Common Stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by the management of Panamco relating to its business; and

performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of its opinion.

JPMorgan also held discussions with certain members of the management of Panamco and with the financial advisors to Coca-Cola FEMSA with respect to certain aspects of the merger, and the past and current business operations of Panamco, the financial condition and future prospects and operations of Panamco, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

JPMorgan relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or that was furnished to it by Panamco or Coca-Cola FEMSA or otherwise reviewed by JPMorgan, and JPMorgan has not assumed any responsibility or liability for such information. JPMorgan did not conduct any valuation or appraisal of any assets or liabilities, nor were any valuations or appraisals provided to JPMorgan. In relying on financial analyses and forecasts provided to it, JPMorgan assumed that they were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Panamco to which such analyses or forecasts relate, based on the representations to that effect by the management of Panamco. JPMorgan also assumed that the definitive Merger Agreement would not differ in any material respect from the draft provided to JPMorgan, and that the transactions contemplated by the Merger Agreement would be completed without waiver of the condition that the Merger Agreement and the merger be approved by the majority of holders of Panamco s Class A Common Stock present or represented by proxy at the meeting who 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). JPMorgan relied as to all legal matters relevant to the rendering of its opinion upon the advice of counsel.

The projections furnished to JPMorgan for Panamco were prepared by the management of Panamco. See Special Factors Certain Prospective Financial Information on page 36 for a discussion of these projections. These projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such projections.

JPMorgan s opinion is based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, the date of such opinion. Subsequent developments may affect the written opinion dated December 20, 2002, and JPMorgan does not have any obligation to update, revise, or reaffirm such opinion. JPMorgan s opinion is limited to the fairness, from a financial point of view, of the consideration to be received by the holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock in the proposed merger, with respect to such Class A Common Stock, and JPMorgan has expressed no opinion as to the fairness of the consideration to be received by any other holder of the stock of Panamco or the underlying decision by Panamco to engage in the merger. JPMorgan expressed no opinion as to the price at which Panamco s Common Stock will trade at any future time.

JPMorgan was not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of Panamco or any other alternative transaction. Consequently, JPMorgan has expressed no opinion whether any alternative transaction might produce consideration for the holders of Panamco s Class A Common Stock in an amount in excess of that contemplated in the merger.

In accordance with customary investment banking practice, JPMorgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses used by JPMorgan in connection with providing its opinion.

Discounted Cash Flow Analysis

JPMorgan conducted a discounted cash flow analysis for the purpose of determining the fully diluted equity value per share of Panamco s Common Stock. JPMorgan calculated the unlevered free cash flows, that is, the cash flows prior to any deductions for debt repayment and interest expense, but after giving effect to estimated taxes, capital expenditures and changes to net working capital, that Panamco is expected to generate during 2003 through 2012 based upon financial projections prepared by the management of Panamco. JPMorgan also calculated a range of terminal asset values at the end of the forecast period, namely the end of 2012, by applying a cash operating profit exit multiple ranging from 4.0x to 6.0x to the estimated 2012 cash operating profit of Panamco. This range of cash operating profit exit multiples is based on a median enterprise value to 2003 EBITDA (earnings before interest, taxes, depreciation and amortization) for other selected Latin American bottlers of 5.3x. Panamco s comparable multiple was 4.4x. The unlevered free cash flows and the range of terminal asset values were then discounted to present values using a range of discount rates from 11.3% to 13.3%. This discount rate range represents an increase and a decrease of 100 basis points from Panamco s 12.3% weighted average cost of capital to illustrate the sensitivities of the discounted cash flow analysis due to potential fluctuations in the weighted average cost of capital. Panamco s weighted average cost of capital of 12.3% was derived from its cost of equity, which was calculated using the capital asset pricing model for U.S. companies, adjusted by a weighted country risk premium to account for the additional risk of the sovereign debt securities of Latin American countries when compared to U.S. Government securities, and its cost of debt, which was calculated based on its average historical cost of debt. Based on a discount rate of 12.3% and a cash operating profit exit multiple range of 4.0x to 6.0x to the estimated 2012 cash operating profit of Panamco, the range of the present values of the terminal asset values calculated by JPMorgan was $1,189 million to $1,783 million.

Based on the management projections and a discount rate of 12.3%, before taking account of any potential synergies between Panamco and Coca-Cola FEMSA, the discounted cash flow analysis, which was based on the present value of the unlevered free cash flows expected during 2003 through 2012 and a terminal asset value based on the application of a cash operating profit exit multiple range of 4.0x to 6.0x to the estimated 2012 cash operating profit of Panamco, indicated a range of implied equity values of between $17.55 and $22.42 per share of Panamco s Common Stock on a fully diluted basis. Panamco management represented to JPMorgan that it estimated the potential annual synergies that could result from sharing certain functions between Panamco and Coca-Cola FEMSA to be approximately $70 million. To illustrate, if 50% of the estimated $70 million potential annual synergies are taken into account, the discounted cash flow analysis indicated a range of implied equity values of between $19.01 and $24.07 per share of Panamco s Common Stock on a fully diluted basis.

Throughout its analysis, JPMorgan calculated the fully diluted value per share of Panamco s Common Stock on the basis of 122 million outstanding shares, without taking account of the lack of voting rights attributable to Panamco s Class A Common Stock.

Present Value of the Illustrative Theoretical Future Stock Price

JPMorgan conducted an analysis of the present value of the theoretical future price per share of Panamco s Common Stock, based on the assumption that all management projections are met, for the purpose of determining the fully diluted equity value per share of Panamco s Common Stock. JPMorgan calculated the implied enterprise value of Panamco based on multiples ranging from 4.5x to 6.5x of the expected 2004, 2005 and 2006 cash operating profit based upon financial projections prepared by the management of Panamco. This multiple range was based on the median 2003 estimated enterprise value to EBITDA multiple of 5.3x for other selected Latin American bottlers, adjusted upwards and downwards to illustrate the sensitivity of an increase or decrease in the multiple on the implied per share equity values. The multiple range also reflects a potential multiple expansion for Panamco in the event that Panamco achieves management s anticipated improvement in its operating performance over the period 2003 to 2005. Panamco s enterprise value to 2003 estimated cash operating profit multiple was 4.4x based on its share price as of December 19, 2002. JPMorgan then calculated the implied equity value for 2003, 2004 and 2005 by adjusting the respective enterprise value of Panamco for each year by its estimated debt, net of cash and cash equivalents, plus minority interest at the end of such year based on the projections prepared by the management of Panamco. The 2003, 2004 and 2005 equity values were then discounted to present values using a range of discount rates from 13.5% to 14.5%, which were calculated assuming various decreases and increases from Panamco s estimated cost of equity of 14.2%. Such cost of equity was calculated using the capital asset pricing model for U.S. companies, adjusted by a weighted country risk premium to account for the additional risk of the sovereign debt securities of Latin American countries when compared to U.S. Government securities. The discount rate range was selected to illustrate the sensitivities of the present value of the illustrative stock prices due to potential fluctuations in the equity discount rate.

Based on the management projections and an equity discount rate of 14.0%, the present value of the 2005 theoretical future stock price indicated a range of implied equity values of between $15.64 and $19.15 per share of Panamco s Common Stock on a fully diluted basis, which were derived from the $2,147 million to $2,576 million present value of the 2005 implied enterprise value range.

Illustrative Break-Up Value

JPMorgan conducted an illustrative break-up analysis for the purpose of determining the fully diluted equity value per share of Panamco s Common Stock. JPMorgan calculated the implied enterprise values of Panamco s operating territories based on the multiples of 7.0x to 8.0x the estimated 2003 cash operating profit in the Mexican and Central American territories and based on the amounts of $1.33 to $1.67 per estimated unit case sale in the South American territories for 2003. The 7.0x to 8.0x multiple range was based on the median multiple of 7.4x for selected prior transactions in the Latin American bottling sector. The $1.33 to $1.67 unit case sale range for the South American territories was estimated based on the low end of per unit case sale values from selected prior transactions in the Latin American bottling sector. JPMorgan used the low end of such range due to the depressed macroeconomic state and, in certain cases, unstable political situation in the South American countries of Panamco s operations at the time of the analysis, as well as the higher cost of capital of investing in South American countries at the time compared to the corresponding cost of capital when such comparable prior transactions were announced. Estimated cash operating profits and estimated unit case sales volumes for 2003 were based upon financial projections prepared by the management of Panamco.

Using the cash operating multiples and unit case sale prices noted above, the illustrative break-up value analysis, exclusive of any potential tax consequences, the expenses from any potential sale and any adjustment for the time value of money to take account of the fact that a theoretical break-up sale of Panamco would likely take some time, resulted in an implied combined enterprise value for all of Panamco s operations of between $3,342 million and $3,918 million and an implied combined equity value of Panamco of between $2,492 million and $3,069 million. The illustrative break-up analysis also indicated a range of implied equity values of between $20.43 and $25.15 per share of Panamco s Common Stock on a fully diluted basis. In this analysis, although JPMorgan provided a theoretical valuation of the Mexican, Central American and South American businesses of Panamco, JPMorgan did not express any view as to whether any of or all those businesses could in fact be sold at the indicated values.

Public Trading Multiples

Using publicly available information, JPMorgan compared selected financial data of Panamco with similar data for selected publicly traded companies engaged in businesses that JPMorgan judged to be analogous to the businesses of Panamco. The companies selected by JPMorgan were:

Latin American bottlers:

Coca-Cola FEMSA;

Embotelladoras Arca, S.A. de C.V.;

Grupo Continental, S.A.; and

Embotelladora Andina, S.A.

Non-Latin American bottlers:

Coca-Cola Enterprises Inc.;

Coca-Cola Amatil Limited; and

The Pepsi Bottling Group, Inc.

These companies were selected, among other reasons, because of their operational and business similarities with Panamco, although no bottler operates in all of the territories in which Panamco operates. For each comparable company, JPMorgan used estimates of their respective financial results for 2002 and 2003 published in publicly available analyst research reports. JPMorgan derived the mean and the median value for each of the following for 2002 and 2003: enterprise value divided by estimated unit case sales volume; enterprise value divided by estimated revenues; and enterprise value divided by either estimated cash operating profit or, if not available, EBITDA. For purposes of this analysis, JPMorgan calculated the enterprise value of each company based on its market capitalization as of December 19, 2002, plus the latest reported debt, net of cash and cash equivalents, plus minority interest. The analysis indicated the following ranges:

	Mean	Median	Low	High
2002 estimates				
Latin American bottlers:				
Enterprise value/unit case sales volume	$3.39	$3.21	$2.50	$4.65
Enterprise value/revenues	1.3x	1.3x	1.0x	1.6x
Enterprise value/cash operating profit or EBITDA	5.3x	4.8x	4.2x	7.2x
Non-Latin American bottlers:				
Enterprise value/unit case sales volume	$4.78	$5.10	$3.91	$5.33
Enterprise value/revenues	1.3x	1.3x	1.2x	1.6x
Enterprise value/cash operating profit or EBITDA	8.9x	8.9x	8.0x	9.9x
2003 estimates				
Latin American bottlers:				
Enterprise value/unit case sales volume	$3.30	$2.86	$2.49	$4.56
Enterprise value/revenues	1.4x	1.6x	1.0x	1.6x
Enterprise value/cash operating profit or EBITDA	6.0x	5.3x	4.3x	8.4x
Non-Latin American bottlers:				
Enterprise value/unit case sales volume	$4.57	$4.82	$3.72	$5.17
Enterprise value/revenues	1.2x	1.2x	1.1x	1.3x
Enterprise value/cash operating profit or EBITDA	8.0x	8.3x	7.4x	8.3x

JPMorgan noted that, using management projections, the Panamco enterprise value based on the proposed merger with Coca-Cola FEMSA implied an amount of $2.94 per estimated Panamco unit case sale and implied multiples of 1.5x and 8.7x estimated Panamco revenues and cash operating profit, respectively, for 2002. For 2003, such Panamco enterprise value implied an amount of $2.78 per estimated Panamco unit case sale and implied multiples of 1.5x and 7.8x estimated Panamco revenues and cash operating profit, respectively. The implied revenues and cash operating profit multiples were calculated by dividing the implied enterprise value for Panamco based on Coca-Cola FEMSA s offer by Panamco management s estimated 2002 and 2003 revenues and cash operating profit, respectively. JPMorgan also noted that using a 2003 cash operating profit multiple of between 5.5x and 6.5x, which was selected based on the mid-point of the multiple range of 4.3x to 8.4x the enterprise value to estimated 2003 EBITDA in respect of other Latin American bottlers, indicated a range of implied equity values of between $14.17 and $18.01 per share of Panamco s Common Stock on a fully diluted basis.

Selected Transaction Analysis

For the selected transaction analysis, JPMorgan examined a number of transactions in the Latin American bottling sector over the last ten years that were publicly announced and for which there was publicly available information to calculate implied multiples. Although each transaction involved the sale of control, no transaction was similar to the proposed merger of Panamco with Coca-Cola FEMSA in all important respects, including countries and markets involved, earnings potential, transaction structure and transaction size.

The following transactions in the Latin America bottling sector were included in the analysis.

Date	Acquiror	Target
2002	Panamco	Coca-Cola de Panamá
2002	Pepsi Bottling Group	Pepsi-GEMEX
2001	South African Breweries	Cervecería Hondureña
2000	Grupo Continental	Tecoman
2000	Pepsi-GEMEX	EMVASA
2000	Quilmes	Embotelladora del Interior (Edisa)
2000	UCPB&J	Frontera
1999	Quilmes	BAESA
1999	The Coca-Cola Company	Paraguay Refrescos
1999	Embotelladora Andina, S.A.	Perma
1999	Embotelladora Arica	Inchcape (Williamson Balfour)
1999	Embotelladora Arica	ELSA
1998	Sistema Argos	Chihuahua/Stege
1998	Panamco	Refrigerantes do Oeste, Supripack
1998	Panamco	Embotelladora Central
1997	Coca-Cola FEMSA	Socunosco (Tapachula)
1997	Brahma	BAESA
1997	Panamco	Embotelladora Milca
1997	Pepsi-GEMEX	Embotelladora Agral
1997	Panamco	Coca-Cola y Hit de Venezuela
1996	Embotelladora Andina, S.A	INTI (Córdoba)
1996	Pepsi-GEMEX	San Luis Potosi Pepsi
1996	Coca-Cola Polar	Bahía Blanca, Menipal, Cacabuco, Neuquén
1996	Coca-Cola FEMSA	San Isidro Refrescos
1995	Panamco	Embotelladora Tica
1995	Embotelladora Arica	Embotelladora Boliviana (Vascal S.A.)
1995	Panamco	Refrigerantes de Santos
1995	Embotelladora Andina, S.A	EDASA (Rosario, Mendoza)
1993	Coca-Cola FEMSA	Coca-Cola Industrial y Comercial

JPMorgan calculated the enterprise value of each such public company based on its market capitalization, as of the date of the announcement of the applicable transaction, plus its latest reported debt, net of cash and cash equivalents, plus minority interest, and each such non-public company based on its reported transaction value. The statistics derived below were based on publicly available information for the latest available reported twelve month period prior to the announcement of the applicable transaction with respect to unit case sales volume, revenues and EBITDA.

	Median	Low	High
Enterprise value/unit case sales volume	$2.7	$1.4	$9.2
Enterprise value/revenues	1.0x	0.5x	2.8x
Enterprise value/EBITDA	7.4x	4.1x	12.3x

For the selected transactions, the implied medians of enterprise value divided by actual unit case sales volume, revenues and EBITDA, respectively, for the latest reported twelve months prior to the corresponding announcement were $2.70, 1.0x and 7.4x, respectively. JPMorgan noted that, using management projections, the Panamco enterprise value based on the proposed combination with Coca-Cola FEMSA implied an amount of $2.94 per estimated Panamco unit case sale and implied multiples of 1.5x and 8.7x estimated Panamco revenues and cash operating profit, respectively, for 2002. JPMorgan also noted that using a 2002 cash operating profit multiple of between 7.0x and 8.0x, based on the median multiple of 7.4x for the selected transactions listed above, indicated a range of implied equity values of between $17.01 and $20.43 per share of Panamco s Common Stock and using a 2002 unit case sales value of between $2.50 and $3.00, based on the

median unit case sales statistic of $2.70 for the selected transactions listed above, indicated a range of implied equity values of between $18.42 and $23.50 per share of Panamco s Common Stock, in each case on a fully diluted basis.

Analysis of Premium

JPMorgan calculated the premium implied by $22.00 per share of Panamco s Class A Common Stock relative to the price per share of Panamco s Class A Common Stock on December 19, 2002 and certain market prices prior to such date. The table below sets forth JPMorgan s premium analysis:

	Price per share of Class A Common Stock	Premium based on $22.00 per share of Class A Common Stock
Stock price on 12/19/02	$10.11	118%
1-day prior	$ 9.67	128%
1-month average	$ 9.24	138%
3-month average	$ 8.98	145%
6-month average	$10.57	108%
1-year average	$13.59	62%
52-week high	$18.69	18%
52-week low	$ 7.67	187%

Using publicly available information, JPMorgan reviewed 27 representative transactions in the consumer sector with a value of between $1.0 billion and $5.0 billion which were announced between January 1, 2000 and December 19, 2002, of which 4 were classified as beverage transactions. JPMorgan compared the premiums from such transactions to the premium implied by $22.00 per share of Panamco s Class A Common Stock to the price per share of Panamco s Class A Common Stock on certain dates prior to December 19, 2002. The table below sets forth JPMorgan s premium analysis:

Reference	Mean premium to market price in sample of 27 announced consumer transactions	Mean premium to market price in sample of 4 announced beverage transactions within the sample of 27	Premium based on a price of $22.00 per share of Class A Common Stock
1-day prior	27%	22%	128%
1-week average	30%	23%	139%
1-month average	30%	26%	138%
3-month average	34%	38%	145%
6-month average	41%	46%	108%
1-year average	49%	49%	62%
52-week high	5%	15%	18%
52-week low	127%	98%	187%

JPMorgan noted that the premium analysis does not constitute a valuation technique as such, but serves as a comparison of the proposed offer price to various historical prices of Panamco s Class A Common Stock.

The summary set forth above does not purport to be a complete description of the analyses or data presented by JPMorgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. JPMorgan believes that the summary set forth above and its analyses must be considered as a whole and that selecting portions thereof, without considering all of its analyses, could create an incomplete view of the processes underlying its analyses and opinion. JPMorgan based its analyses on assumptions that it deemed reasonable, including assumptions concerning general business and economic conditions and industry-specific factors. The other principal assumptions upon which JPMorgan based its analyses are set forth above under the description of each such analysis. JPMorgan s analyses are not necessarily indicative of actual values or actual future results that might be achieved, which values may be higher or lower than those indicated. Moreover, JPMorgan s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold.

As a part of its investment banking business, JPMorgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes. JPMorgan was selected to advise Panamco with respect to the merger on the basis of such experience and its familiarity with Panamco. In connection with its engagement of JPMorgan and receipt of its opinion, the Panamco board considered the commercial relationships between JPMorgan and its affiliates, on the one hand, and FEMSA, Coca-Cola FEMSA, The Coca-Cola Company, the Voting Trust and its principal beneficiaries and Venbottling Holdings, Inc., on the other hand, and determined that those relationships did not impair the independence or advice of JPMorgan.

For services rendered in connection with the merger, Panamco has agreed to pay JPMorgan a fee of approximately $18.5 million, the amount of which was based on the value of Panamco implied by the consideration to be paid by Coca-Cola FEMSA pursuant to the merger, one third of which becomes due upon the filing of this proxy statement, and the remainder of which is payable upon the completion of the merger. In addition, Panamco has agreed to reimburse JPMorgan for its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify JPMorgan against certain liabilities, including liabilities arising under the federal securities laws. During 2002, JPMorgan was paid approximately $265,000 in monthly retainer fees for services it provided to Panamco pursuant to the engagement letter dated as of September 9, 2002, and effective as of July 1, 2002, in connection with any strategic or regional transaction, including the merger and Panamco s acquisition of Coca-Cola de Panamá Compañía Embotelladora, S.A.

JPMorgan and its affiliates maintain banking and other business relationships with Panamco, Coca-Cola FEMSA, their respective affiliates and The Coca-Cola Company and have provided them with financial advisory and financing services from time to time, including, but not limited to, strategic advice, derivatives, and treasury and institutional trust services, for which they have received customary fees. In particular, JPMorgan and its affiliates are currently providing financing services to Coca-Cola FEMSA in connection with the merger. See Special Factors Fees and Expenses on page 69 for a discussion of the fees payable to JPMorgan and the other lenders by Coca-Cola FEMSA in connection with the financing for the merger. During the prior two years, JPMorgan and its affiliates have received a total of $7.0 million in additional fees in respect of the provision of services to Panamco and its officers and directors, the Voting Trust and its trustees and principal beneficiaries, Coca-Cola FEMSA and The Coca-Cola Company. In the ordinary course of their businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of Panamco, Coca-Cola FEMSA or The Coca-Cola Company for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

Certain Prospective Financial Information

Panamco does not as a matter of course make public any projections as to future sales, earnings or other results. The prospective financial information set forth below is included in this proxy statement only because such information was provided to, and considered by, JPMorgan and Morgan Stanley in connection with their fairness opinions.

The prospective financial information set forth below was not prepared with a view toward public disclosure or compliance with the published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. The prospective financial information is not fact and readers of this proxy statement are cautioned not to place undue reliance on such information.

Neither Panamco s independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained in this proxy statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The prospective financial information set forth below reflects numerous assumptions and estimates made by the management of Panamco as well as uncertainties considered by the management of Panamco, with respect to industry performance, general business, economic, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond Panamco s control. Panamco s prospective financial information is prepared on an operating unit basis, which information is then evaluated by Panamco s corporate headquarters and consolidated with input from Panamco s management. In preparing the prospective financial information for each operating unit, the most important assumptions and estimates take into account national gross domestic product growth rates, exchange rates of the local currencies relative to the U.S. dollar, inflation rates of the local economies and certain commodity prices (primarily, sugar, petroleum and aluminum). At the consolidated level, Panamco s management also makes assumptions and estimates relating to actions and reactions of competitors, actions of governmental and regulatory agencies (such as imposition of taxes) and political stability. Mexico, Colombia and Central America are the top three operating units that contribute to Panamco s cash operating profit. The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by Panamco s management as of the date of its preparation, are subject to a wide variety of significant business, economic, market and financial and competitive risks and uncertainties that could cause actual results to differ materially from those set forth below. Accordingly, there can be no assurance that the prospective financial information is indicative of the future performance of Panamco or that actual results will not materially differ from those presented in the prospective financial information. Inclusion of the prospective financial information in this proxy statement should not be regarded a reliable prediction of future events, and the prospective financial information should not be relied upon as such. Neither Panamco or any of its representatives, nor Coca-Cola FEMSA or any of its representatives has made, or makes, any representation to any person, other than to JPMorgan, in the case of Panamco, regarding the prospective financial information, and none of them has or intends to update or otherwise revise the prospective financial information to reflect circumstances existing after the date when made or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the prospective financial information are shown to be in error.

Panamco s management prepared the prospective financial information set forth below during the third quarter of 2002 in the ordinary course of business, with respect to Panamco s operating performance for each of its fiscal years ending December 31, 2003, 2004 and 2005. Panamco s management provided the prospective financial information to Coca-Cola FEMSA on November 22, 2002. The prospective financial information has not been adjusted to reflect the effects of the proposed merger. The prospective financial information should be read together with the other information contained in this proxy statement.

Panamerican Beverages, Inc.

Selected Consolidated Prospective Financial Information

(amounts in millions of unit cases and U.S.$, except per unit case amounts)

	Fiscal Year Ended December 31,		
	2003	**2004**	**2005**
Unit Case Volume	1,302	1,353	1,414
Net Revenue per Unit Case	$ 1.92	$ 1.95	$ 1.99
Net Revenue	2,497	2,645	2,809
Cost of Sales	1,280	1,344	1,423
Gross Profit	1,217	1,300	1,386
Cash Operating Expense	747	765	791
Cash Operating Profit	470	535	596
Operating Income	279	344	406
Net Income	115	171	220

Position of Coca-Cola FEMSA and Midtown Sub as to the Fairness of the Merger

Fairness to Stockholders of Panamco

Because the merger may constitute, if completed, a going-private transaction subject to Rule 13e-3 under the Exchange Act, Coca-Cola FEMSA is required to express its belief as to the fairness of the merger to stockholders of Panamco who are not affiliated with Panamco or The Coca-Cola Company. In response to this requirement, the members of the Coca-Cola FEMSA board met and discussed this subject. The beliefs and determinations set forth below are based on this meeting among the board members. The Coca-Cola FEMSA board believes that the merger is financially and procedurally fair to such stockholders of Panamco. This belief, however, should not be construed as a recommendation to stockholders of Panamco to vote in favor of the merger. In reaching this belief, the Coca-Cola FEMSA board considered the following factors, each of which in its judgment supports its view as to the fairness of the merger:

Coca-Cola FEMSA understands that the Panamco board, after considering, and based upon factors deemed relevant by such board, has by resolution (1) approved, and declared advisable, the Merger Agreement and the merger and (2) determined that the merger is advisable and fair to, and in the best interests of, all of the stockholders of Panamco, other than The Coca-Cola Company and its subsidiaries. This understanding supports the determination of procedural fairness of the merger.

Coca-Cola FEMSA understands that the two resolutions referred to in the paragraph above were approved by all directors of Panamco other than Mr. Fayard (who was not present) and Mr. Schimberg (who abstained). This understanding supports the determination of procedural fairness of the merger.

Coca-Cola FEMSA understands that Panamco directors Messrs. Jung, Furlan and Postl approved a resolution that specifies that the merger is advisable and fair to, and in the best interests of, the holders of shares of Panamco s Class A Common Stock, other than The Coca-Cola Company and its subsidiaries. This understanding supports the determination of procedural fairness of the merger.

Coca-Cola FEMSA understands that the Panamco board, after due inquiry and discussion, determined that Messrs. Jung, Furlan and Postl did not have any conflict that might have impaired their judgment with respect to the approval of the resolution that specifies that the merger is advisable and fair to, and in the best interests of, the holders of shares of Panamco s Class A Common Stock, other than The Coca-Cola Company and its subsidiaries. This understanding supports the determination of procedural fairness of the merger.

Coca-Cola FEMSA understands that in approving the Merger Agreement and the merger, the Panamco board took into account the discussions between Messrs. Jung, Furlan and Postl and the major holders of shares of Panamco s Class B Common Stock (other than The Coca-Cola Company and its subsidiaries) regarding the allocation of the cash merger consideration between the shares of Panamco s Class A Common Stock and Panamco s Class B Common Stock. This understanding supports the determination of procedural fairness of the merger.

In addition to being conditioned on the receipt of the stockholder approvals required by applicable Panama law, the merger is conditioned on the approval by the holders of the majority of outstanding shares of Panamco s Class A Common Stock present or represented by proxy at the special meeting who, in accordance with 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 person 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). See The Merger Agreement and the Stockholder Agreements The Merger Agreement on page 82. Coca-Cola FEMSA does not intend to waive this condition. This condition is designed to provide an opportunity for the public holders of Panamco s Class A Common Stock to determine whether the merger is fair and supports the determination of procedural fairness.

The Merger Agreement provides that, subject to specified terms and conditions, including the payment of a termination fee, the Panamco board may terminate the Merger Agreement to accept an acquisition proposal that is more favorable to Panamco stockholders than the merger. The Merger Agreement also provides that under specified circumstances, the Panamco board may engage in negotiation or discussions with, and provide nonpublic information to, a person making a superior proposal. See The Merger Agreement and the Stockholder Agreements The Merger Agreement on page 80. The Coca-Cola Company and its subsidiaries and the principal participants of the Voting Trust are permitted by the stockholder agreements to engage in negotiations or discussions with, and provide nonpublic information to, a person making a superior proposal to the extent consistent with action of the Panamco board taken in accordance with the Merger Agreement. See The Merger Agreement and the Stockholder Agreements The Stockholder Agreements on page 86. These provisions support the determination of procedural fairness of the merger.

If Panamco terminates the Merger Agreement, the obligations of The Coca-Cola Company and its subsidiaries and of the principal participants to the Voting Trust to support the merger immediately terminate. See The Merger Agreement and the Stockholder Agreements The Stockholder Agreements on pages 89 and 93. These provisions support the determination of procedural fairness of the merger.

Coca-Cola FEMSA understands that JPMorgan delivered a written opinion to the Panamco board to the effect that as of December 20, 2002 and based upon and subject to the various factors set forth in the opinion, 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. In addition, Coca-Cola FEMSA understands that, prior to the receipt of this opinion the members of the Panamco board discussed the qualifications of Panamco s legal advisors and JPMorgan and their independence from FEMSA, Coca-Cola FEMSA, Midtown Sub, Venbottling Holdings, Inc., The Coca-Cola Company and the Voting Trust and its principal beneficiaries, and Coca-Cola FEMSA understands that the Panamco board concluded that those relationships did not impair the independence or advice of such advisors. Coca-Cola FEMSA believes that the opinion supports the determination of the fairness, from a financial point of view, of the merger. In addition, the retention of legal and financial advisors by the Panamco board, after discussing their qualifications and independence, supports the determination of procedural fairness.

Coca-Cola FEMSA believes that the Panamco stockholders are capable of evaluating the merger consideration that is proposed to be paid to them. This consideration consists exclusively of a fixed cash amount per share to all holders, other than The Coca-Cola Company and its subsidiaries, of Panamco s Class A Common Stock and Class B Common Stock.

The cash merger consideration payable per share of Panamco s Class A Common Stock represents a premium of 118% to the closing price per share of Panamco s Class A Common Stock on December 20, 2002 (the last trading day prior to the public announcement of the proposed merger) and a premium of 62% over the one-year average closing price of Panamco s Class A Common Stock prior to the announcement of the merger.

The Coca-Cola FEMSA board also considered the following factors, which it considered to be potentially negative, in its consideration of the fairness of the merger to Panamco s stockholders who are not affiliated with Panamco or The Coca-Cola Company.

After the merger, Panamco stockholders other than The Coca-Cola Company and its subsidiaries will not be able to participate in future earnings or growth of Panamco, unless they already own shares of Coca-Cola FEMSA or acquire them in the public markets.

If the merger is not completed, the market price of Panamco s shares may increase in the future above the consideration paid in the merger.

- The Voting Trust holds more than 50% of the voting share capital of Panamco, and The Coca-Cola Company has the right to veto certain business combination transactions involving Panamco, such as the merger. This may have had the effect of discouraging potential buyers of Panamco.

- The Coca-Cola Company and its subsidiaries will receive consideration in the merger that is different from the consideration to be received by all other stockholders of Panamco and have an interest in the merger that is different from other stockholders of Panamco. Coca-Cola FEMSA offered stock consideration to The Coca-Cola Company and its subsidiaries, instead of cash, because Coca-Cola FEMSA determined that it would not have been financially feasible for it to offer to The Coca-Cola Company and its subsidiaries the cash merger consideration offered to all other stockholders of Panamco, without materially prejudicing Coca-Cola FEMSA s financial position and plans for the future. See Special Factors Arrangements with The Coca-Cola Company on page 59. The Coca-Cola Company and its subsidiaries currently hold 30% of Coca-Cola FEMSA s share capital and approximately 37% of Coca-Cola FEMSA s voting share capital. The Coca-Cola Company, through its subsidiaries, beneficially owns approximately 25.2% of Panamco s share capital and approximately 25.0% of Panamco s voting share capital. 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 approximately 46.4% of Coca-Cola FEMSA s voting share capital.

- The holders of Panamco s Class A Common Stock and the holders of Panamco s Class B Common Stock will receive different cash consideration pursuant to the merger.

- The merger may result in a taxable gain to certain stockholders of Panamco, including those who may otherwise have preferred to retain their shares of Panamco s Common Stock to defer the consequences of a taxable event.

- JPMorgan is one of the parties to, and is an affiliate of another party to, the loan commitments made to Coca-Cola FEMSA in connection with the merger and JPMorgan, together with Morgan Stanley Senior Funding, intends to syndicate such credit facilities to other financial institutions.

The Coca-Cola FEMSA board believes that each of the foregoing factors is relevant to all stockholders of Panamco who are not affiliated with Panamco or The Coca-Cola Company. The Coca-Cola FEMSA board also believes that the potentially negative factors do not, individually or in the aggregate, outweigh the overall fairness of the merger to stockholders of Panamco who are not affiliated with Panamco or The Coca-Cola Company. In view of the variety of factors considered in connection with the Coca-Cola FEMSA board s evaluation of the merger, the Coca-Cola FEMSA board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors and considered all factors as a whole in reaching a decision. The Coca-Cola FEMSA board was able to reach the determination of procedural fairness to the unaffiliated holders of Panamco in the absence of the retention of an unaffiliated representative to act solely on behalf of such unaffiliated security holders because of the overall impact of those factors noted above that support the determination of procedural fairness.

The Coca-Cola FEMSA board understands, as detailed on page 23, that the tax and execution impediments to a break-up or liquidation of Panamco render this break-up or liquidation alternative impractical. Accordingly, the Coca-Cola FEMSA board concluded that any attempt to develop a break-up or liquidation value would not be a useful reference point when determining the fairness of the merger to the unaffiliated shareholders of Panamco and did not develop a break-up or liquidation value.

The Coca-Cola FEMSA board determined that the following factors were not relevant to the financial and procedural fairness of the merger to Panamco s stockholders who are not affiliated with Panamco or The Coca-Cola Company.

- Net book value of Panamco (approximately $855 million as of September 30, 2002, as reported in Panamco s quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 8, 2002), because Coca-Cola FEMSA does not believe that net book value is a true indication of the value of Panamco as a going concern and its goodwill and, in any event, Panamco s net book value is lower than the merger consideration.

The fact that on December 22, 2002, the board of directors of Coca-Cola FEMSA received a fairness opinion from Morgan Stanley & Co. Incorporated, referred to in this proxy statement as Morgan Stanley, that as of that date and based upon and subject to the various factors set forth in the opinion, the aggregate merger consideration is fair from a financial point of view to Coca-Cola FEMSA. This opinion addresses the fairness of the merger consideration as to Coca-Cola FEMSA and not as to the stockholders of Panamco and thus is considered irrelevant for purposes of the position of Coca-Cola FEMSA as to the fairness of the merger to the stockholders of Panamco who are not affiliated with Panamco or The Coca-Cola Company described in this section.

Midtown Sub is the acquisition vehicle incorporated in the Republic of Panama shortly before execution of the Merger Agreement by Coca-Cola FEMSA solely for the purpose of merging with and into Panamco. Midtown Sub has adopted the beliefs of Coca-Cola FEMSA that are set forth above regarding the fairness of the merger to the stockholders of Panamco who are not affiliated with Panamco or The Coca-Cola Company. This was done by means of a resolution of Midtown Sub s sole stockholder, Coca-Cola FEMSA, and this resolution was adopted on the basis of the same factors that served as the basis for the determination of the Coca-Cola FEMSA board, which are described above. Midtown Sub has specifically adopted the factors considered by the Coca-Cola FEMSA board in reaching its decision to adopt the fairness determination made by the Coca-Cola FEMSA board. Midtown Sub s fairness determination was reached by means of a stockholder s resolution and not by means of a board resolution because the current directors of Midtown Sub are only nominee directors from a management services company in the Republic of Panama.

Opinion of Coca-Cola FEMSA s Financial Advisor

The board of directors of Coca-Cola FEMSA received a fairness opinion from Morgan Stanley regarding the fairness, from a financial point of view, to Coca-Cola FEMSA of the aggregate merger consideration.

Pursuant to the engagement letter dated March 1, 2000, Morgan Stanley was engaged by Coca-Cola FEMSA to provide financial advisory services and a fairness opinion to Coca-Cola FEMSA in connection with the merger. At the meeting of the Coca-Cola FEMSA board on December 19, 2002, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing on December 22, 2002, that based upon and subject to the various considerations set forth in the opinion, the aggregate consideration to be paid by Coca-Cola FEMSA pursuant to the Merger Agreement is fair from a financial point of view to Coca-Cola FEMSA.

The full text of the written opinion of Morgan Stanley, dated December 22, 2002, which sets forth, among other things, assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion, is attached as an exhibit to the Schedule 13E-3 that is filed in connection with the merger and is also available from Coca-Cola FEMSA and Panamco as provided under Other Matters Where You Can Find More Information on page 115. **Morgan Stanley s opinion is directed to the Coca-Cola FEMSA board and not to stockholders of Panamco and addresses only the fairness, from a financial point of view, to Coca-Cola FEMSA, of the aggregate consideration to be paid by Coca-Cola FEMSA pursuant to the Merger Agreement, and does not address any other aspect of the merger and does not constitute a recommendation to any stockholder of Panamco as to how such stockholder should vote at the special meeting.** The summary of the opinion of Morgan Stanley set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other information of Panamco and Coca-Cola FEMSA, respectively;

reviewed certain internal financial statements and other financial and operating data concerning Panamco prepared by the management of Panamco;

reviewed certain financial projections prepared by the management of Panamco;

discussed the past and current operations and financial condition and the prospects of Panamco, including reviewing the outstanding debt obligations of Panamco that will remain as debt obligations of Panamco after the merger, with senior executives of Panamco;

analyzed certain internal financial statements and other financial operating data concerning Coca-Cola FEMSA prepared by the management of Coca-Cola FEMSA;

reviewed certain financial projections on Coca-Cola FEMSA and Panamco prepared by the management of Coca-Cola FEMSA;

discussed the past and current operations and financial condition and the prospects of Coca-Cola FEMSA, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of Coca-Cola FEMSA;

reviewed the pro forma impact of the merger on Coca-Cola FEMSA s earnings per share, consolidated capitalization and financial ratios;

reviewed the reported prices and trading activity for Panamco s Class A Common Stock;

reviewed the reported prices and trading activity for the New York Stock Exchange-listed American Depositary Shares, each representing 10 Series L Shares, no par value, of Coca-Cola FEMSA;

compared the financial performance of Panamco and Coca-Cola FEMSA and the prices and trading activity of Panamco s Class A Common Stock, the American Depositary Shares of Coca-Cola FEMSA and certain other comparable publicly-traded companies and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in discussions and negotiations among representatives of Panamco, Coca-Cola FEMSA and FEMSA, and their respective financial and legal advisors;

reviewed the Merger Agreement, the stockholder agreements and certain related documents; and

considered such other factors and performed such other analyses as Morgan Stanley deemed appropriate.

In rendering its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information reviewed by it for the purposes of its opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Panamco and Coca-Cola FEMSA. Morgan Stanley did not receive a specific representation as to the reasonableness, accuracy and completeness of the financial projections from the management of Coca-Cola FEMSA or Panamco. In addition, Morgan Stanley assumed that the merger will be completed in accordance with the terms set forth in the Merger Agreement, without material modification or waiver. Morgan Stanley has not made any independent valuation or appraisal of the assets or liabilities of Panamco or Coca-Cola FEMSA, nor has it been furnished with any such appraisals. Morgan Stanley s opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, December 22, 2002.

The following is a brief summary of the material analyses performed by Morgan Stanley in connection with its oral opinion dated December 19, 2002 and the preparation of its written opinion letter dated December 22, 2002. Some of these summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary.

For the purposes of the fairness opinion and as used herein, aggregate consideration means the sum of (a) $22.00 multiplied by the number of outstanding shares of Panamco s Class A Common Stock (other than outstanding shares of Panamco s Class A Common Stock beneficially owned by The Coca-Cola Company through its subsidiaries); (b) $38.00 multiplied by the number of outstanding shares of Panamco s Class B Common Stock (other than outstanding shares of Panamco s Class B Common Stock beneficially owned by The Coca-Cola Company through its subsidiaries); (c) the principal amount of the promissory notes, which will be issued to The Coca-Cola Company for its shares of Panamco and will be exchanged following the merger for Series D shares of Coca-Cola FEMSA; and (d) the amount of the payments to be made to holders of options to purchase Panamco s Class A Common Stock and restricted shares of Panamco s Class A Common Stock pursuant to the Merger Agreement.

Peer Group Comparison

Morgan Stanley compared financial information of Panamco with publicly available information for the following selected soft-drink bottling companies:

Coca-Cola FEMSA;

The Pepsi Bottling Group, Inc.;

Pepsi Americas, Inc.;

Coca-Cola Hellenic Bottling Group, S.A.;

Coca-Cola Enterprises Inc.;

Coca-Cola Amatil Limited;

Embotelladora Andina, S.A.; and

Grupo Continental, S.A.

Morgan Stanley selected these soft-drink bottling companies, among other reasons, because of their operational and business similarities with Panamco, although no selected soft-drink bottling company operates in all of the territories in which Panamco operates. For this analysis, Morgan Stanley examined a range of estimates based on securities research analysts estimates. The following table presents, as of December 18, 2002, the low, high and median of the ratios of (1) aggregate value, defined as market capitalization, plus total debt and minority interest, less cash and cash equivalents, to estimated calendar year 2002 earnings before interest, taxes, depreciation and amortization, referred to herein as EBITDA, and (2) aggregate value to estimated 2002 total unit case volumes (excluding jug water).

	Aggregate Value/EBITDA	**Aggregate Value/ Total Unit Case Volume**
	2002 estimates	*2002 estimates*
Low	4.6x	$2.5
High	11.0x	$5.0
Median	7.7x	$4.1
Panamco s Common Stock at $22.86 per share	8.5x	$3.5

The price of $22.86 per share of Panamco s Common Stock represents the weighted average conversion price paid per share on an undiluted basis (not taking into account any options to acquire shares of Panamco s Class A Common Stock) using the amounts set forth in the Merger Agreement for Panamco s Class A Common Stock (at $22.00 per share) and Panamco s Class B Common Stock (at $38.00 per share). The consideration being paid to subsidiaries of The Coca-Cola Company for their shares of Panamco s Class A Common Stock, Class B Common Stock and Series C Preferred Stock (through the issuance of the promissory notes and subsequent exchange for Coca-Cola FEMSA s Series D shares) was included in the preceding calculation at $22.00 per share. The price of $22.86 per share of Panamco s Common Stock was determined by Morgan Stanley based on available information on December 19, 2002, the date on which Morgan Stanley rendered its oral opinion to the Coca-Cola FEMSA board.

Morgan Stanley noted that a trading comparable multiple range for the peer group companies of 6.0x to 8.0x 2002 estimated EBITDA would imply a price range of $14.00 to $21.00 per share of Panamco s Common Stock. A range of $3.00 to $4.00 per 2002 estimated total unit case volume would imply a price range of $19.00 to $28.00 per share of Panamco s Common Stock.

No company utilized in the peer group comparison analysis is identical to Panamco. In evaluating the peer group, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Panamco, such as the impact of competition on the business of Panamco or the industry generally, industry growth and the absence of any material adverse change in the financial condition and prospects of Panamco or the industry or in the financial markets in general. Mathematical analysis, such as determining the average or median, is not in itself a meaningful method of using peer group data.

Analysis of Selected Precedent Transactions

Morgan Stanley compared statistics based on publicly available information for selected precedent transactions to relevant financial statistics for Panamco. Morgan Stanley reviewed the following six transactions involving soft-drink bottling companies:

Target	Acquiror	Announcement Date
Coca-Cola Panama	Panamco	10/2/2002
Pepsi-Gemex	Pepsi Bottling Group	5/7/2002
CHSA	SAB	11/29/2001
BevCo	SAB	11/29/2001
Herbco Enterprises	Coca-Cola Enterprises	4/30/2001
Coca-Cola Bottlers Philippines	The Coca-Cola Company/San Miguel Corp.	2/6/2001

The following table presents the high, low and median ratios of (i) aggregate value to EBITDA for the latest twelve months and (ii) aggregate value to the total unit case volumes (excluding jug water) for the latest available twelve months for the selected precedent transactions.

	Aggregate Value/ EBITDA	Aggregate Value/Total Unit Case Volume
Low	7.3x	$3.4
High	13.2x	$6.5
Median	8.3x	$4.9
Panamco s Common Stock at $22.86 per share	8.5x	$3.5

Morgan Stanley observed that a trading comparable multiple range of between 7.0x and 9.0x EBITDA for the latest twelve months would imply a price range of $17.00 to $24.00 per share of Panamco s Common Stock. A range of between $4.00 and $5.00 for 2002 estimated total unit case volume of Panamco (excluding jug water) would imply a price range of $28.00 to $36.00 per share of Panamco s Common Stock.

Morgan Stanley chose the selected transactions, among other reasons, because they were business combinations that, for purposes of the analysis, Morgan Stanley considered to be reasonably similar to the proposed merger in that these transactions involved public soft-drink bottling companies that operate in emerging markets, although no transaction utilized as a comparison in the selected precedent transactions analysis is identical to the proposed merger. In evaluating the transactions listed above, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Panamco such as the impact of competition on the business of Panamco or the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Panamco or the industry or in the financial markets in general. Mathematical analysis, such as determining the average or median, is not in itself a meaningful method of using comparable transaction data.

Discounted Cash Flow Analysis

Morgan Stanley performed a discounted cash flow analysis, based upon projections for the unlevered free cash flows of Panamco s businesses using terminal year EBITDA exit multiples and discount rates for the years 2003 through 2011. The projections for Panamco s unlevered cash flows represent cash flows prior to any deductions for debt repayment and interest expense, but after giving effect to estimated taxes, capital expenditures and changes to net working capital. These projections were developed by Coca-Cola FEMSA based on publicly available information regarding Panamco and in part on the oral presentation made by

Panamco to Coca-Cola FEMSA on November 22, 2002, which oral presentation is summarized above under Special Factors Certain Prospective Financial Information on page 36. On a consolidated basis, the implied range of discount rates and terminal year EBITDA exit multiples was between 10.5% and 12.1% and 6.2x and 7.2x, respectively. The range of discount rates is a weighted average of the discount rate for each of Panamco s businesses. The discount rate for each of Panamco s businesses was derived from its cost of equity, which was calculated using the capital asset pricing model taking into account a country risk premium to account for the increased risk of the sovereign debt securities of Latin American countries as compared to U.S. Government securities, and its cost of debt calculated based on its average historical cost of debt. The range of terminal exit multiples is based on a comparison of the sum of the estimated terminal values for each of Panamco s businesses to the estimated 2011 EBITDA of Panamco. The discounted cash flow analysis implied a range of values for Panamco of between approximately $20.00 and $26.00 per share. This analysis excluded synergies.

Pro Forma Analysis of Certain Forecasted Savings

Morgan Stanley performed a discounted cash flow analysis of projected annual savings arising primarily from the integration of the operations of Panamco and Coca-Cola FEMSA in Mexico and the corporate functions. The forecasted savings, which are expected to reach $78.1 million in 2011, were developed by Coca-Cola FEMSA. Morgan Stanley discounted the unlevered free cash flow attributable to the projected savings using discount rates ranging from 9.3% to 10.6% and terminal exit multiples of estimated 2011 savings ranging from 7.0x to 8.0x. Morgan Stanley applied the same ranges of discount rates and terminal exit multiples it used for purposes of its discount cash flow analysis of Panamco s business in Mexico. The discounted cash flow analysis of the forecasted savings implied a range of values for the projected savings of between $2.75 and $3.22 per share of Panamco s Common Stock.

Historical Share Price Performance

Panamco

Morgan Stanley reviewed the trading performance of Panamco s Class A Common Stock and observed the following data:

	Average Price (U.S.$)	Offer Price Premium to Share Price(%)
As of 12/18/02	9.67	136.4
30 days prior to 12/18/02	9.17	149.3
60 days prior to 12/18/02	8.82	159.2
120 days prior to 12/18/02	9.27	146.6
180 days prior to 12/18/02	10.55	116.7
360 days prior to 12/18/02	13.58	68.3

Coca-Cola FEMSA

Morgan Stanley also reviewed the trading performance of Coca-Cola FEMSA s American Depositary Shares and observed the following data:

	Average American Depositary Share Price Performance (U.S.$)
20 trading days prior to 12/18/02	22.15
60 days prior to 12/18/02	21.45
120 days prior to 12/18/02	21.17
180 days prior to 12/18/02	21.70
360 days prior to 12/18/02	23.28

Morgan Stanley took into account in rendering its opinion that the number of Coca-Cola FEMSA s Series D shares to be issued by Coca-Cola FEMSA following the merger in exchange for the promissory notes issued to The Coca-Cola Company for its shares of Panamco was based on the average price of the Coca-Cola FEMSA s American Depositary Shares over a specified period of time prior to the date of the Merger Agreement.

Credit Statistics

Morgan Stanley noted in the materials presented to the Coca-Cola FEMSA board on December 19, 2002 that, after giving effect to the proposed merger, Coca-Cola FEMSA was expected to maintain an investment grade rating from Moody s and Standard & Poors. Morgan Stanley relied on an estimated pro forma income statement (giving effect to the merger as if it had occurred on January 1, 2002, but without giving effect to any synergies that may result from the merger) prepared by Coca-Cola FEMSA, which for year 2002 estimated revenues to be $4.120 billion, cost of goods to be $1.967 billion, gross profit to be $2.153 billion and EBITDA to be $965 million and considered for this pro forma estimate, a year 2003 estimated interest expense of $224 million. On an estimated pro forma basis, the ratios of net debt to EBITDA and EBITDA to interest expense resulting from these figures were estimated to be 2.7x and 4.3x, respectively. This pro forma income statement was not prepared in accordance with Article 11 of Regulation of S-X and is not indicative of future performance.

In connection with the review of the merger by the Coca-Cola FEMSA board, Morgan Stanley performed a variety of financial and comparative analyses for purposes of its opinion given in connection therewith. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Furthermore, Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley s view of the actual value of Panamco or Coca-Cola FEMSA.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Panamco or Coca-Cola FEMSA. Any estimates contained in Morgan Stanley s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as part of Morgan Stanley s analysis of the fairness, from a financial point of view to Coca-Cola FEMSA, of the aggregate consideration to be paid by Coca-Cola FEMSA pursuant to the Merger Agreement, and were conducted in connection with the delivery of the Morgan Stanley opinion to the Coca-Cola FEMSA board. Morgan Stanley s analyses do not purport to be appraisals or to reflect the prices at which shares of Panamco or Coca-Cola FEMSA might actually trade. The aggregate consideration to be paid by Coca-Cola FEMSA pursuant to the Merger Agreement was determined through arm s length negotiations among Panamco, Coca-Cola FEMSA and FEMSA and was approved by the Coca-Cola FEMSA board. Morgan Stanley provided advice to Coca-Cola FEMSA during such negotiations; however, Morgan Stanley did not recommend any specific consideration to Coca-Cola FEMSA or that any specific consideration constituted the only appropriate consideration for the merger. In addition, as described above, Morgan Stanley s opinion and presentation to the Coca-Cola FEMSA board was one of many factors taken into consideration by the Coca-Cola FEMSA board in making their decision to approve the merger. Consequently, the Morgan Stanley analyses as described above should not be viewed as determinative of the opinion of the Coca-Cola FEMSA board with respect to the value of Panamco or of whether the Coca-Cola FEMSA board would have been willing to agree to different consideration.

The Coca-Cola FEMSA board retained Morgan Stanley based upon Morgan Stanley s qualifications, experience and expertise and its knowledge of the business affairs of Coca-Cola FEMSA. Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

In the past, Morgan Stanley has provided financing services to Panamco unrelated to the merger; financial advisory and financing services to Coca-Cola FEMSA and its parent, FEMSA, and has received fees from Coca-Cola FEMSA and FEMSA for the rendering of such services; financial advisory services to The Coca-Cola Company, unrelated to the merger, including in connection with its original acquisition of shares of Coca-Cola FEMSA; and financial advisory services to certain stockholders of Panamco, unrelated to the merger. Morgan Stanley may in the future seek to provide financial advisory and financing services for any of the aforementioned parties. In connection with the financing of the merger, Morgan Stanley may provide a bridge loan to Coca-Cola FEMSA and may provide professional services in connection with the permanent financing for the merger, and in such event will receive fees for the rendering of these services. In the ordinary course of business, Morgan Stanley may from time to time trade in the securities or indebtedness of Coca-Cola FEMSA or Panamco for its own account, the accounts of investment funds and other clients under the management of Morgan Stanley and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities or indebtedness.

Pursuant to the engagement letter between Morgan Stanley and Coca-Cola FEMSA, Coca-Cola FEMSA has agreed to pay Morgan Stanley its customary fees as compensation for its services. Coca-Cola FEMSA has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services and to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under federal securities laws, related to or arising out of Morgan Stanley s engagement and any related transactions.

Effect of the Merger on Panamco and Panamco s Common Stock

If the merger is approved by the stockholders of Panamco and the other conditions to the closing of the merger are either satisfied or waived, Midtown Sub will be merged with and into Panamco, with Panamco being the surviving corporation. As a result of the merger, Panamco will be a wholly owned subsidiary of Coca-Cola FEMSA. The Merger Agreement and related agreements contemplate that:

- immediately prior to the effective time of the merger, all shares of Panamco s 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 at a one-to-one ratio; and

- in the merger:

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

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

  - all the outstanding shares of Panamco s 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, 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; and

  - each outstanding option to purchase shares of Panamco s 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 may constitute, if completed, a going-private transaction within the meaning of Rule 13e-3 promulgated under the Exchange Act. For more information regarding Coca-Cola FEMSA, FEMSA, Midtown Sub and The Coca-Cola Company, see Information Concerning Panamco, Coca-Cola FEMSA, Midtown Sub, FEMSA and The Coca-Cola Company on page 94. As a result of the merger, Panamco will be a privately held company and there will be no public market for Panamco s Class A Common Stock and price quotations for sales of shares in the public market will no longer be available. Panamco s Class A Common Stock will no longer be listed on the New York Stock Exchange, and the registration of Panamco s Class A Common Stock under the Exchange Act will be terminated. Panamco stockholders, 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. Panamco s directors, officers and beneficial owners of more than 10% of the shares of Panamco s Common Stock will be relieved of the reporting requirements and restrictions under Section 16 of the Exchange Act. In addition, Panamco will be relieved of New York Stock Exchange listing and reporting requirements. Furthermore, following the merger, Panamco may no longer be a reporting company under the Exchange Act. See Special Factors Purposes, Reasons and Plans for Panamco after the Merger on page 51 for a discussion of the possible termination of the reporting obligations of Panamco.

The primary benefits of the merger to holders of Panamco s Class A Common Stock and Class B Common Stock who are not affiliated with Panamco or The Coca-Cola Company include the following:

the stockholders will receive $22.00 in cash for each share of Panamco s Class A Common Stock and $38.00 in cash for each share of Panamco s Class B Common Stock, representing, in the case of Panamco s Class A Common Stock, a premium of approximately 118% to the closing price per share of Panamco s Class A Common Stock on December 20, 2002 (the last trading day prior to the public announcement of the proposed merger), and a premium of 62% over the one-year average closing price of Panamco s Class A Common Stock prior to the announcement of the merger; and

the stockholders will benefit from what the Panamco board considers to be Panamco s best strategic alternative, after reviewing the generally prevailing conditions in the bottling industry and in the region in which Panamco operates, as well as reviewing a number of possible alternatives to the merger, including: (1) continuing to operate as an independent public company, (2) engaging in business combination transactions with alternative merger partners, (3) breaking up Panamco into pieces and selling its businesses separately and (4) implementing a leveraged recapitalization of Panamco.

The primary detriments of the merger to holders of Panamco s Class A Common Stock and Class B Common Stock, who are not affiliated with Panamco or The Coca-Cola Company include the following:

the stockholders will cease to have an interest in Panamco and therefore will no longer benefit from any increase in the future earnings, growth or value of Panamco or payment of dividends on Panamco s Common Stock, if any; and

the receipt of cash for shares of Panamco s Common Stock in the merger will be a taxable transaction for United States Federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign and other tax laws. As a result, the merger may result in a taxable gain to certain stockholders of Panamco, including those who may have preferred to retain their shares of Panamco s Common Stock to defer consequences of a taxable event. See Special Factors Material Income Tax Consequences on page 64 for a discussion of these consequences.

The primary benefits of the merger to The Coca-Cola Company include the following:

The Coca-Cola Company and its subsidiaries currently hold 30% of Coca-Cola FEMSA s share capital and approximately 37% of Coca-Cola FEMSA s voting share capital. The Coca-Cola Company, through its subsidiaries, beneficially owns approximately 25.2% of Panamco s share capital and approximately 25.0% of Panamco s voting share capital. As a consequence of the merger, The Coca-Cola Company will increase its beneficial ownership percentage of the capital stock of Coca-Cola FEMSA to approximately 39.6% and its beneficial ownership percentage of the voting power of Coca-Cola FEMSA to approximately 46.4%. As a result, through its beneficial ownership of Coca-Cola FEMSA s share capital, The Coca-Cola Company will benefit from any increase in the future earnings, growth or value of Panamco; and

- The Coca-Cola Company will receive certain benefits relating to operational and business issues with respect to the combined company following the completion of the merger. The Coca-Cola Company and FEMSA have memorialized their understandings relating to operational and business issues that will affect the combined company following completion of the merger in a memorandum included in this document as Annex E. See Special Factors Arrangements with The Coca-Cola Company on page 60 for a detailed discussion of these understandings.

The primary detriments of the merger to The Coca-Cola Company include the following:

- The Coca-Cola Company will continue to carry the risk of any decrease in the future earnings, growth or value of Panamco or of Coca-Cola FEMSA following the merger;
- Coca-Cola FEMSA will have substantially more debt outstanding after the merger and this may adversely affect the equity value of Coca-Cola FEMSA. In general, higher levels of debt can have the effect of increasing the risk to equity holders of losing the entire value of their investment; and
- the equity interests in Coca-Cola FEMSA that The Coca-Cola Company will receive as a consequence of the merger in exchange for its interests in Panamco will not be traded on any active securities market and thus will not be readily transferable.

The per share cash consideration to be received by Panamco s stockholders (other than The Coca-Cola Company and its subsidiaries) in the merger is the result of arm s length negotiations between Coca-Cola FEMSA and its advisors, on the one hand, and Panamco and its advisors, on the other hand.

As a result of the merger, Coca-Cola FEMSA will own all the outstanding stock of Panamco and therefore Coca-Cola FEMSA will have a 100% interest in the net book value and net earnings of Panamco. In addition, upon the 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 therefore, they will have a 39.6% interest in the net book value and net earnings of Coca-Cola FEMSA.

Effects on Panamco if the Merger is not Completed

If the merger is not approved by the holders of Panamco s Class B Common Stock at the special meeting, Panamco, Coca-Cola FEMSA and Midtown Sub will not be permitted under Panama law to complete the merger. In addition, the merger is conditioned on the approval of the Merger Agreement and the merger by the holders of a majority of the shares of Panamco s Class A Common Stock present or represented by proxy at the special meeting who, in accordance with 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). See The Merger Agreement and the Stockholder Agreements The Merger Agreement Conditions to the Merger on page 82 for a discussion of such condition. If such stockholder approval is not obtained at the special meeting, each of Panamco and Coca-Cola FEMSA will have the right to terminate the Merger Agreement. In addition, after any such termination of the Merger Agreement, Panamco would be required to pay Coca-Cola FEMSA a $125 million termination fee and reimburse Coca-Cola FEMSA for out-of-pocket expenses up to a maximum amount of $15 million, if Panamco completes or enters into any agreement to complete an alternative acquisition proposal within 15 months after the Merger Agreement is terminated.

If the merger is not completed for any reason, it is expected that Panamco s business and operations will continue to be conducted by its current management under the direction of the Panamco board. Panamco would remain a public company and would continue to conduct its business and operations as it did prior to the execution of the Merger Agreement. However, while the Merger Agreement is in effect, Panamco s management will be constrained by the applicable covenants contained in the Merger Agreement. No other transaction is currently being considered by the management or Panamco board as an alternative to the merger.

Purposes, Reasons and Plans for Panamco after the Merger

The purpose of the merger is to make Panamco a wholly owned subsidiary of Coca-Cola FEMSA, with a board of directors and management designated by Coca-Cola FEMSA. Coca-Cola FEMSA does not, directly or indirectly, currently own an interest in Panamco s net book value or net earnings, but, upon completion of the merger, would directly or indirectly own a 100% interest in Panamco s net book value and net earnings.

The merger is being proposed at this time, because this is the earliest time at which Coca-Cola FEMSA and Panamco have been able to reach an agreement on the terms of a business combination following lengthy, sporadic discussions as described above under Special Factors Background of the Merger on page 13. In addition, the ongoing efforts by Coca-Cola FEMSA to improve its financial condition and operating profitability had succeeded to such a degree by 2002 that Coca-Cola FEMSA considered itself to be in a position where it could responsibly take on the new indebtedness and operational challenges associated with the completion of the proposed merger. In deciding to initiate discussions with Panamco in August 2002, FEMSA considered that:

- given the significantly depressed market price of Panamco s Class A Common Stock and the general economic and political conditions in South America, Panamco stockholders were likely to respond favorably to an offer that included significant market premiums as contemplated by the FEMSA proposals, and

- given the good business relations between FEMSA and The Coca-Cola Company, there was a reasonable likelihood that The Coca-Cola Company would agree to support a business combination between Coca-Cola FEMSA and Panamco.

This business combination has been structured as a merger because:

- a single-step merger is an efficient means for implementing the acquisition of Panamco,

- the merger will preserve Panamco s legal identity and existing contractual arrangements with third parties, and

- the merger structure provides the independent holders of Panamco s Class A Common Stock with an opportunity to vote on whether to approve the business combination.

The subsidiaries of The Coca-Cola Company are receiving stock consideration as a consequence of the merger in contrast to the other stockholders of Panamco who are receiving all-cash consideration. Coca-Cola FEMSA determined that it would not have been financially feasible for it to offer to The Coca-Cola Company and its subsidiaries the cash merger consideration offered to all other Panamco stockholders, without materially prejudicing Coca-Cola FEMSA s financial position and plans for the future. See Special Factors Arrangements with The Coca-Cola Company on page 59.

Coca-Cola FEMSA considered acquiring Panamco through an exchange offer followed by a merger, but ultimately determined that this exchange offer would not necessarily have resulted in the faster completion of such an acquisition due to the applicable regulatory requirements. During the discussions in August, September and October 2002, Coca-Cola FEMSA proposed that part of the merger consideration consist of stock. Coca-Cola FEMSA did not receive indications that the Panamco board was interested in stock consideration. Ultimately, Coca-Cola FEMSA decided to pursue a merger where all the consideration consisted of cash exclusively, except in the case of the consideration to be received by the subsidiaries of The Coca-Cola Company. The reasons for this decision were that 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.

Coca-Cola FEMSA has made a preliminary review, on the basis of available information, of various possible management, operational and business strategies for Panamco. Coca-Cola FEMSA does not currently intend to sell any material portion of the assets of Panamco or its subsidiaries, but has agreed with The Coca-Cola Company to consider possible asset swaps or sales in the future. See Special Factors Arrangements with The Coca-Cola Company Merger Arrangements and Proposed New Operational

Arrangements on page 60. Following the completion of the merger, Coca-Cola FEMSA intends to implement, over a period of time that has not yet been specified, the following measures:

- change of the legal domicile of Panamco and its Panamanian subsidiaries to Mexico in order to avoid unfavorable treatment of Coca-Cola FEMSA s ownership of Panamco and such subsidiaries under Mexican tax laws;
- elimination of holding companies in certain countries in order to make Panamco s holding company structure for its subsidiaries more tax-efficient for Mexican tax purposes;
- relocation of Panamco s corporate headquarters to Mexico and closure of the Miami, Florida executive office of Panamco;
- rationalization of senior management and corporate staff of Panamco;
- integration of the Mexican operations of the combined company, including with respect to:
  - strategies to counter efforts by competitors,
  - realization of manufacturing and procurement synergies, including through closure and integration of facilities,
  - integration of back-office operations, and
  - implementation of best practices in sales and distribution, and
- reevaluation of Panamco s operations and strategies in other countries.

Coca-Cola FEMSA will continue to evaluate the management, business and operations of Panamco after the merger and may make such changes to its plans as it deems appropriate. In connection with the execution of the Merger Agreement, The Coca-Cola Company and FEMSA memorialized in a memorandum, which is attached as Annex E to this proxy statement, their understandings primarily relating to operational and business issues that will affect the combined company following completion of the merger. See Special Factors Arrangements with The Coca-Cola Company Merger Arrangements and Proposed New Operational Arrangements on page 60.

At or shortly after closing of the merger, Coca-Cola FEMSA plans to refinance approximately $464 million of Panamco s outstanding consolidated indebtedness with the proceeds of the acquisition financing arranged by Coca-Cola FEMSA. After completion of the merger, Panamco may be required to guarantee certain of Coca-Cola FEMSA s indebtedness. See Special Factors Financing of the Merger on page 61.

As a result of the merger, Panamco s Class A Common Stock will be delisted from the New York Stock Exchange and will be held exclusively by Coca-Cola FEMSA, which will result in the de-registration of Panamco s Class A Common Stock under the Exchange Act, as further described under Special Factors Effect of Merger on Panamco and Panamco s Common Stock on page 48. Coca-Cola FEMSA understands that Panamco is currently required to file reports under Section 15(d) of the Exchange Act in connection with its 7.25% Senior Notes due 2009 and under the related indenture. Coca-Cola FEMSA is exploring alternatives that would permit the termination of these reporting obligations at some point following the merger. If the reporting obligations relating to these notes were terminated, Panamco would no longer be subject to any periodic reporting requirements under the Exchange Act. Absent such termination, Coca-Cola FEMSA understands that Panamco would remain subject to periodic reporting requirements under the Exchange Act until its 7.25% Senior Notes due 2009 are retired.

Interests of Certain Persons in the Merger

In considering the recommendation of the Panamco board to vote for the proposal to approve the agreement of merger contained in the Merger Agreement, you should be aware that the directors and executive officers of Panamco have interests in the merger that are in addition to, or different from, the interests of Panamco stockholders generally and that may create potential conflicts of interest. 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 determined to recommend to Panamco stockholders that they vote for the proposal to approve the agreement of merger contained in the Merger Agreement.

Treatment of Stock Options

The Merger Agreement provides that Panamco will take all actions necessary to cancel, effective immediately prior to the completion of the merger, each option to purchase shares of Panamco s Class A Common Stock granted under Panamco s Equity Incentive Plan and Stock Option Plan for Non-Employee Directors, and each option to purchase shares of Panamco s Class A Common Stock granted to Messrs. Schimberg and Cooling under individual stock option agreements dated November 10, 2000, whether vested or unvested, that is outstanding immediately prior to the completion of the merger, with the holder thereof becoming entitled to receive an amount in cash (less any applicable income or employment tax withholding) per share of Panamco s Class A Common Stock subject to such option equal to the excess, if any, of $22.00 over the exercise price per share of such option.

The following table sets forth the number of options to purchase Panamco s Class A Common Stock held as of March 24, 2003 by (1) each director, (2) certain executive officers and (3) all other executive officers and former executive officers of Panamco who served in 2002, as a group, and the amount of the cash payment (before reduction of applicable withholding taxes) expected to be payable to each such individual in respect of such options upon completion of the merger:

	Unvested Options	Weighted Average Exercise Price*	Vested Options	Weighted Average Exercise Price*	Cashout Value
Gustavo A. Cisneros, *Director*	7,422	$11.71	4,094	$17.64	$ 94,216
Oswaldo J. Cisneros, *Director*	7,422	$11.71	4,094	$17.64	$ 94,216
Gary P. Fayard, *Director*	6,785	$11.43	1,206	$16.09	$ 78,836
Luiz F. Furlan, *Director*(1)	7,422	$11.71	6,712	$17.88	$ 103,992
Craig D. Jung, *Director and Chief Executive Officer*	325,000	$13.70			$2,697,250
Wade T. Mitchell, *Director*	7,422	$11.71	6,712	$17.88	$ 103,992
James J. Postl, *Director*	7,422	$11.71	2,479	$15.37	$ 92,803
Henry A. Schimberg, *Director*	7,422	$11.71	252,479	$14.26	$2,030,303
Houston Staton Welten, *Director*	7,422	$11.71	6,712	$17.88	$ 103,992
Stuart Staton Welten, *Former Director*	3,050	$15.80	37,712	$17.88	$ 253,544
Woods W. Staton Welten, *Chairman of the Board*	7,422	$11.71	6,712	$17.88	$ 103,992
William G. Cooling, *Former Chief Executive Officer*	3,050	$15.80	356,712	$14.32	$2,759,044
Paulo J. Sacchi, *Vice President Brazilian Operations*	129,774	$12.24	204,146	$16.32	$2,426,290
Annette Franqui, *Chief Financial Officer*	123,335	$12.36	26,665	$16.97	$1,322,600
Rubén Pietropaolo, *Former Vice President NOLAD Operations*(2)	111,667	$11.41	23,333	$14.97	$1,346,200
Carlos Hernández, *Vice President, General Counsel and Secretary*	76,968	$11.71	96,532	$16.69	$1,304,506
All other executive officers and former executive officers as a group (4 persons)	164,715	$13.16	375,425	$17.16	$3,272,037

* Only includes options with an exercise price per share less than $22.00.

(1) Luiz F. Furlan resigned as director of Panamco effective December 31, 2002 after accepting a position as Minister of Development, Industry and Foreign Trade of Brazil.

(2) Rubén Pietropaolo resigned from his position as Vice President NOLAD Operations, President of Panamco NOLAD and President of Panamco Mexico effective March 26, 2003 and, effective March 27, 2003, he has accepted a position as Vice President Special Projects of Panamco.

Change in Control Plans

In September 2002, Panamco adopted the Key Executive, Retention, Severance and Non-Competition Plan, referred to as the Change in Control Plan, which provides benefits to designated executive officers (whom we refer to collectively as the participating executive officers) and other employees of Panamco. The Change in Control Plan provides that in the event a participating executive officer s employment with Panamco is terminated as a result of an Involuntary Termination (which generally includes a termination of the executive s employment by Panamco without cause or by the executive as a result of certain changes in the executive s duties, principal place of employment or salary and bonus opportunity) within the period (which we refer to as the window period) that commences 90 days prior to (a) the occurrence of a change of control of Panamco (as defined in the Change in Control Plan) or (b) any public announcement of the intention to undertake a transaction that if completed would result in a change of control, and terminates upon the expiration of no more than three years following the date of such change of control, the participating executive officer will be entitled to receive the following benefits:

- a cash severance payment equal to up to three times the total of the participating executive officer s annual base salary plus target bonus;
- continued provision of Panamco s standard group employee insurance coverages for up to three years following termination of employment;
- payment of all salary and accrued vacation pay earned through the date of termination of employment; and
- if the participating executive officer is an expatriate (as defined in the Change in Control Plan), an additional cash payment of $25,000.

The Change in Control Plan further provides that upon a change of control, each participating executive officer who is then employed by Panamco or whose employment terminated prior to the change of control as a result of an Involuntary Termination during the window period, shall become entitled to receive, in lieu of any payments that he or she may be entitled to receive under Panamco s annual incentive plan for the year in which the change of control occurs, a lump-sum payment equal to the product of (a) the executive s target bonus for the year in which the change of control occurs and (b) the number of days from January 1 to the date of the change of control divided by 365. If a participating executive officer s Involuntary Termination occurs prior to the date of the change of control, the participating executive officer s outstanding stock options and restricted shares of Panamco s Class A Common Stock granted under Panamco s Equity Incentive Plan will fully vest and, in the case of stock options, become exercisable as of the date of such termination of employment.

In the event that any of Messrs. Jung or Hernández or Ms. Franqui becomes subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, then Panamco will provide a gross-up payment to place the participating executive officer in the same economic position on an after-tax basis that he or she would have been in had no excise tax been imposed. If any other participating executive officer becomes subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, then the participating executive officer s benefits shall be reduced to the maximum amount as will result in no portion of the payments being subject to the excise tax (which we refer to as the Safe Harbor Cap), but only if the net after-tax amount that would be received by the participating executive officer, taking into account all applicable federal, state and local income taxes and the excise tax, is greater than the net after-tax amount that would be received by the participating executive officer if the payments are not reduced to the Safe Harbor Cap. Messrs. Jung and Hernández and Ms. Franqui are also entitled to the gross-up payment pursuant to the terms of their employment agreements with Panamco.

The completion of the merger will result in a change in control for purposes of the Change in Control Plan. Assuming that the merger is completed on June 30, 2003, and excluding any gross-up payments for excise taxes that may be payable under Section 4999 of the Internal Revenue Code, the estimated maximum aggregate amount of the cash severance payments and pro-rata bonus payment that would be payable under the Change in Control Plan to Messrs. Jung, Hernández and Ms. Franqui, and all other executive officers as a group (two persons), upon a termination of their employment without cause immediately following the completion of the merger, is approximately $4,031,015, $1,379,820, $1,543,750 and $1,263,850, respectively.

To the extent that a participating executive officer receives any severance benefits under any other plan or arrangement, then the payments and benefits payable under the Change in Control Plan shall be reduced by a like amount.

Restricted Stock

On November 10, 2000, Messrs. Cooling and Schimberg were granted 400,000 and 300,000, respectively, restricted shares of Panamco s Class A Common Stock pursuant to the terms of a restricted stock agreement with Panamco. One third of the restricted shares vested when Panamco s 15-day average closing price per share equaled or exceeded $19.25 per share. One third of the original number of restricted shares will vest when Panamco s 15-day average closing price per share equals or exceeds $24.25 per share (provided that such average closing price target is attained prior to November 10, 2005), and the remaining restricted shares will vest when Panamco s 15-day average closing price per share equals or exceeds $29.25 per share (provided that such average closing price target is attained prior to November 10, 2006). The restricted stock agreement provides that upon a change in control of Panamco (as defined in the restricted stock agreement), a pro rata portion of the restricted shares of Panamco s Class A Common Stock that would have become vested upon timely attainment of the next higher price target as set forth above not yet previously attained will become vested. The completion of the merger will constitute a change in control for purposes of the restricted stock agreement. Based on a change in control price of $22.00 per share, an additional 73,333 restricted shares (in the case of Mr. Cooling) and 55,000 restricted shares (in the case of Mr. Schimberg) will vest in connection with the completion of the merger.

The Merger Agreement provides that each restricted share of Panamco s Class A Common Stock held by Messrs. Cooling and Schimberg that is subject to the restrictions set forth in the restricted stock agreement as of the completion of the merger (after giving effect to the vesting as described above of a portion of such shares at the completion of the merger) shall be converted into the right to receive $22.00 per share, and such cash will be deposited into escrow. After giving effect to the vesting of restricted shares at the completion of the merger, it is expected that cash in the amount of $7,443,348 (representing the remaining 193,334 restricted shares (in the case of Mr. Cooling) and 145,000 restricted shares (in the case of Mr. Schimberg), each at a value of $22.00 per share) will be deposited into escrow. The Merger Agreement provides that 31.03% of the amount held in escrow (or approximately $1.32 million (in the case of Mr. Cooling) and $1.0 million (in the case of Mr. Schimberg)) will be released in the event the 15-day average closing price of Coca-Cola FEMSA s American Depositary Shares equals or exceeds 110.22% of the 15-day average closing price of the Coca-Cola FEMSA s American Depositary Shares as of the date of the completion of the merger (which we refer to as the Initial Price) on or before November 10, 2005, and any remaining amounts held in escrow for the benefit of Messrs. Cooling and Schimberg will be released in the event the 15-day average closing price of the Coca-Cola FEMSA s American Depositary Shares equals or exceeds 132.95% of the Initial Price on or before November 10, 2006. The Merger Agreement provides that Messrs. Cooling and Schimberg shall forfeit any of the amount remaining in escrow after November 10, 2006.

Indemnification and Insurance

The Merger Agreement provides that all rights under organizational documents of Panamco or agreements of current and former directors or officers of Panamco to indemnification for acts and omissions before the merger will survive the merger and continue in full force and effect until the expiration of the applicable statute of limitations.

The Merger Agreement also provides that, for six years following the merger, Coca-Cola FEMSA will maintain directors and officers liability insurance coverage for the directors and officers of Panamco who are covered by such policies at the effective time of the merger with respect to matters occurring prior to such time, to the extent currently maintained by Panamco if such coverage may be maintained at a cost not to exceed 250% of the annual premium applicable to the June 2002 to June 2003 period or to such extent as may be maintained at such cost.

Reimbursement of the Voting Trust Expenses

Panamco has agreed to reimburse the fees and expenses incurred by the Voting Trust in connection with the merger, including with respect to the consideration, evaluation and negotiation of the transaction, and the review and execution of related documents, in an amount not to exceed $1.0 million unless otherwise approved by Panamco.

Arrangements with The Coca-Cola Company

Existing Operational and Governance Arrangements

Panamco and Coca-Cola FEMSA have bottling and related operational agreements with The Coca-Cola Company and its subsidiaries pursuant to which they produce and distribute designated products of The Coca-Cola Company. 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.

Material agreements and other documents that set forth the terms of these operational and governance relationships, including bottling agreements, stockholder agreements and organizational documents, are described in the reports incorporated by reference into this document, including the annual reports on Forms 10-K and 20-F of Panamco and Coca-Cola FEMSA, respectively, and are included as exhibits to those Securities and Exchange Commission reports. See Other Matters Where You Can Find More Information on page 115. In addition, FEMSA and The Coca-Cola Company have memorialized in a memorandum a number of operations and business understandings that will affect the combined company following completion of the merger, concurrently with the execution of the Merger Agreement. This memorandum is included as Annex E to this document.

The following is a summary of material provisions of the agreements and other documents relating to the operational and governance relationships that The Coca-Cola Company has with Panamco and Coca-Cola FEMSA. This summary is qualified by, and you should read it in conjunction with, the materials described in the preceding paragraph.

Existing Bottling and Other Operational Arrangements

Panamco

In 1995, The Coca-Cola Company designated Panamco an anchor bottler, making Panamco one of The Coca-Cola Company s strategic partners in The Coca-Cola Company s worldwide bottling system. Panamco has exclusive rights under its bottling agreements with The Coca-Cola Company to bottle and distribute designated products of The Coca-Cola Company in all of the territories in which Panamco operates. Panamco also produces and distributes its proprietary brands. In 2002 and 2001, 74% of Panamco s unit case volume, respectively, was attributable to products of The Coca-Cola Company.

These bottling agreements expire on various dates. In 1995, Panamco and The Coca-Cola Company agreed that all bottling agreements of Panamco s Mexican subsidiaries would have a uniform term ending in 2005, renewable for one additional ten-year term. In general, the Brazilian, Venezuelan, Nicaraguan, Costa Rican, Guatemalan and Colombian agreements are for five-year terms, renewable for one additional five-year term.

The bottling agreements regulate the preparation, bottling and distribution of beverages in the applicable franchise territory. The bottling agreements authorize the bottlers to use the concentrates purchased from The Coca-Cola Company to bottle, distribute and sell a variety of beverages under certain brand names and in certain approved presentations and to utilize the trademarks of The Coca-Cola Company to promote these products. The Coca-Cola Company reserves the right to market independently or license post-mix products.

The prices that The Coca-Cola Company may charge Panamco for concentrates are determined by The Coca-Cola Company from time to time at its discretion. The Coca-Cola Company currently charges Panamco a percentage of the weighted average wholesale price (net of taxes) of each case sold to retailers within each of Panamco s franchise territories. Panamco pays no additional compensation to The Coca-Cola Company under the licenses for the use of the associated trade names and trademarks. Where local law permits, The Coca-Cola Company has the right to limit the wholesale prices of its products.

Total payments by Panamco to The Coca-Cola Company for concentrates were approximately $333.0 million and $361.1 million in 2002 and 2001, respectively.

The Coca-Cola Company has no obligation to participate in expenditures for advertising and marketing, but it may, in its discretion, contribute to Panamco s expenditures and undertake independent advertising and marketing activities, as well as cooperative advertising and sales promotion programs with Panamco. The Coca-Cola Company has routinely established annual budgets with Panamco for cooperative advertising and promotion programs. In 2002 and 2001, The Coca-Cola Company provided Panamco with $33.5 million and $36.5 million in marketing support. From time to time, The Coca-Cola Company also provides incentives for Panamco to make particular types of capital expenditures ($0 and $0.3 million in 2002 and 2001).

Panamco may not assign, transfer or pledge its bottling agreements, whether voluntarily, involuntarily or by operation of law, without the prior consent of The Coca-Cola Company. Moreover, Panamco may not enter into any contract or other arrangement to manage or participate in the management of any other bottler without the prior consent of The Coca-Cola Company. Panamco may not sell or otherwise transfer ownership of any bottling operation.

Coca-Cola FEMSA

Coca-Cola FEMSA manufactures, packages, distributes, and sells soft drink beverages and bottled water in its Mexican territories under two bottling agreements it entered into with The Coca-Cola Company on June 21, 1993. One bottling agreement governs the Valley of Mexico territory and the other governs the Southeast Mexico territory. The bottling agreement relating to the Southeast Mexico territory was amended on October 30, 1997.

Coca-Cola FEMSA also manufactures, packages, distributes, and sells soft drink beverages and bottled water in the Buenos Aires territory in Argentina under a bottling agreement signed on August 22, 1994. This contract was amended on December 1, 1995 and on February 1, 1996 to include the San Isidro area and again on June 2, 1998 to include the Pilar area. San Isidro and Pilar are part of the greater Buenos Aires area in Argentina.

These bottling agreements provide that Coca-Cola FEMSA will purchase its entire requirement of concentrates for Coca-Cola beverages from The Coca-Cola Company or other designated authorized suppliers at prices, with terms of payment, and on other terms and conditions of supply as determined from time to time by The Coca-Cola Company in its sole discretion. Coca-Cola FEMSA has the exclusive right to distribute Coca-Cola beverages specified in the agreements for sale in its territories in authorized containers of the nature prescribed by the bottling agreements.

Subject to Coca-Cola FEMSA s exclusive right to distribute Coca-Cola beverages in its territories, The Coca-Cola Company reserves the right to import and export Coca-Cola beverages to and from Mexico and Argentina. Under Coca-Cola FEMSA s bylaws and the stockholders agreement between The Coca-Cola Company and FEMSA, an adverse action by The Coca-Cola Company under any of the bottling agreements may result in a suspension of specified veto rights of the members of the board of directors of Coca-Cola FEMSA who were appointed by The Coca-Cola Company.

Total payments by Coca-Cola FEMSA to The Coca-Cola Company for concentrates were approximately $269 million (Ps. 2,814 million) and $296 million (Ps. 2,641 million) in 2002 and 2001.

The Coca-Cola Company has no obligation to participate in expenditures for advertising and marketing, but it may, in its discretion, contribute to Coca-Cola FEMSA s expenditures and undertake independent advertising and marketing activities, as well as cooperative advertising and sales promotion programs with Coca-Cola FEMSA. In each of 2002 and 2001, The Coca-Cola Company contributed approximately 42% of Coca-Cola FEMSA s advertising and marketing budget, which totaled approximately $118 million and $137 million. In each of 2002 and 2001, The Coca-Cola Company contributed approximately $9 million to Coca-Cola FEMSA s capital expenditure programs.

The two bottling agreements for Mexico have terms of ten years and will each expire on June 20, 2013. The bottling agreement for greater Buenos Aires has a term of ten years and will expire on September 1, 2004. The bottling agreements are automatically renewable for ten-year terms, subject to non-renewal by either party (with notice to the other party).

In connection with these bottling agreements, Coca-Cola FEMSA also entered into a tradename licensing agreement with The Coca-Cola Company on June 21, 1993, pursuant to which it is authorized to use specified trademark names of The Coca-Cola Company. The agreement has an indefinite term, but is terminated if Coca-Cola FEMSA ceases to manufacture, market, sell and distribute Coca-Cola products pursuant to the bottling agreements or if the stockholders agreement between FEMSA and The Coca-Cola Company terminates. The Coca-Cola Company also has the right to terminate this license agreement if Coca-Cola FEMSA uses The Coca-Cola Company trademark names in a manner not authorized by the bottling agreements.

In 2002 and 2001, the operating subsidiary of Coca-Cola FEMSA in Buenos Aires purchased, on an arms-length basis, a portion of its plastic ingot requirements for producing plastic bottles and all of its returnable bottle requirements from CIPET. CIPET is a local subsidiary of Embotelladora Andina, S.A, a Coca-Cola bottler with operations in, among other places, Argentina. The Coca-Cola Company beneficially owns an equity interest in Embotelladora Andina, S.A. and has certain governance rights relating to it.

Existing Stockholder and Governance Arrangements

Panamco

The Coca-Cola Company has been a Panamco stockholder since 1993. As of January 20, 2003, The Coca-Cola Company, through its subsidiaries, beneficially owns approximately 25.2% of the outstanding shares of Panamco s Class A Common Stock, approximately 25.0% of the outstanding shares of Panamco s Class B Common Stock and 100% of the outstanding shares of Panamco s Series C Preferred Stock.

Panamco s Series C Preferred Stock requires Panamco to obtain the consent of the holder before taking specified material corporate actions. Subject to thresholds, limitations and exceptions specified in the Certificate of Designation for Panamco s Series C Preferred Stock, these material corporate actions include:

- consolidations, mergers (including the merger with Coca-Cola FEMSA) and sales of substantially all of Panamco s assets;
- acquisitions and sales of businesses;
- certain issuances of Panamco s shares;
- entrance into new lines of business and termination of existing lines of business;
- capital expenditures and acquisitions and dispositions of property and equipment;
- transactions with affiliates;
- changes in dividend policy; and
- changes to organizational documents.

As a result of its beneficial ownership of Panamco s Series C Preferred Stock and/or the provisions of investor and previously existing stockholders agreements with Panamco and the Voting Trust, The

Coca-Cola Company and its subsidiaries are also entitled to the following rights, subject to specified thresholds, limitations and exceptions:

- the right to designate a limited number of directors to the Panamco board so long as specified equity ownership percentages are maintained;
- the right to purchase common stock to prevent dilution of its equity holdings and voting power; and
- registration rights with respect to Panamco s Class A Common Stock.

Currently The Coca-Cola Company has two designees on the Panamco board: Gary P. Fayard, who is senior vice president and chief financial officer of The Coca-Cola Company, and Henry A. Schimberg, who is not an employee of The Coca-Cola Company, but is a former director and officer of Coca-Cola Enterprises Inc., a Coca-Cola bottler in which The Coca-Cola Company owns a significant equity interest.

Except as set forth above, Panamco s Series C Preferred Stock provides for no voting rights or dividends and for a $1.00 liquidation preference. Panamco s Series C Preferred Stock may not be transferred to any person other than The Coca-Cola Company or its subsidiary.

The Amended and Restated Investment Agreement dated as of November 1, 1995, among Panamco, The Coca-Cola Company and The Coca-Cola Export Corporation also imposes limitations on the ability of The Coca-Cola Company to acquire additional securities of or support acquisition proposals relating to Panamco. As described above under Special Factors Background of the Merger on page 19, Panamco has granted a limited release from these limitations to facilitate the merger. In addition, Panamco has agreed that, in the event Panamco grants any release from the standstill limitation to facilitate an alternative acquisition proposal (which the Merger Agreement permits only to a limited extent and under circumstances involving a superior proposal), then Panamco will also grant a similar release relating to transaction proposals by Coca-Cola FEMSA and FEMSA.

Coca-Cola FEMSA

The Coca-Cola Company beneficially owns 30% of Coca-Cola FEMSA s outstanding capital stock, representing approximately 37% of the outstanding full voting shares of Coca-Cola FEMSA.

FEMSA, the indirect majority stockholder of Coca-Cola FEMSA, and The Coca-Cola Company have agreed that Coca-Cola FEMSA will generally be managed pursuant to terms set forth in the by-laws of Coca-Cola FEMSA and a shareholders agreement. The Coca-Cola Company is entitled to appoint four of Coca-Cola FEMSA s 18 directors. Currently, one of the designees of The Coca-Cola Company to the Coca-Cola FEMSA board is Steven J. Heyer, the president and chief operating officer of The Coca-Cola Company. In March 2003, Mr. Gary Fayard was designated as a director of Coca-Cola FEMSA by The Coca-Cola Company. Mr. Fayard is the Chief Financial Officer of The Coca-Cola Company and a director of Panamco. Generally, the affirmative vote of at least two of these directors is necessary for the adoption of resolutions by the board of directors of Coca-Cola FEMSA. In addition, FEMSA and The Coca-Cola Company have an understanding that, in practice, the chief executive officer of Coca-Cola FEMSA will be appointed by mutual agreement of FEMSA and The Coca-Cola Company, and that the chief executive officer, in turn, will appoint the other officers of Coca-Cola FEMSA.

The by-laws of Coca-Cola FEMSA also provide that if a majority of the directors appointed by FEMSA make a reasonable, good faith determination that any action of The Coca-Cola Company under any of its bottling agreements with Coca-Cola FEMSA is materially adverse to Coca-Cola FEMSA s business interests and that The Coca-Cola Company has failed to cure this action within 60 days of notice, then these directors may declare a simple majority period upon 90-days advance notice. During the simple majority period, a simple majority of the board of Coca-Cola FEMSA may approve specified major decisions without regard to whether any directors appointed by The Coca-Cola Company are present or consent. These major decisions are specified to be those relating to Coca-Cola FEMSA s one-year and five-year business plans and entrance into and termination of lines of business. A majority of the directors designated by FEMSA may terminate a simple majority period. Following the termination of a simple majority period, another simple majority period may not be declared for a one-year period. If a simple majority period persists for one year or more, the provisions of the stockholders agreement for resolution of irreconcilable differences may be triggered.

Coca-Cola FEMSA s by-laws also provide FEMSA and The Coca-Cola Company with rights of first refusal with respect to proposed sales of voting securities of Coca-Cola FEMSA by the other party or its subsidiary.

The current stockholder arrangements between FEMSA and The Coca-Cola Company with respect to Coca-Cola FEMSA will remain in place following the merger.

Merger Arrangements and Proposed New Operational Arrangements

As described in greater detail under The Merger Agreement and the Stockholder Agreements The Stockholder Agreements The Coca-Cola Company Stockholders Agreement on pages 87-91, the subsidiaries of The Coca-Cola Company that hold shares of Panamco have entered into agreements specifically relating to the merger. These arrangements include:

- an agreement that immediately before the merger, all shares of Panamco s Class A Common Stock and Class B Common Stock beneficially owned by The Coca-Cola Company through its subsidiaries will be exchanged for an equal number of newly issued shares of Panamco s Series D Preferred Stock at a one-to-one ratio;

- provisions in the Merger Agreement for the conversion in the merger of Panamco s Series C Preferred Stock and Series D Preferred Stock (representing the shares of Panamco s Class A Common Stock and Class B Common Stock exchanged as set forth above) held by these subsidiaries of The Coca-Cola Company into one or more promissory notes that, in the aggregate, entitle the holders thereof (restricted to The Coca-Cola Company and its designated affiliates) to subscribe to and be issued 304,045,678 shares of Coca-Cola FEMSA Series D stock;

- undertakings by these subsidiaries of The Coca-Cola Company to vote for and support the merger, subject to limitations specified in The Coca-Cola Stockholders Agreement;

- obligations of Coca-Cola FEMSA, after the completion of the merger, to indemnify The Coca-Cola Company with respect to specified matters relating to the accuracy of disclosures and the compliance with applicable law by the boards of directors of Coca-Cola FEMSA and Panamco; and

- undertakings by Coca-Cola FEMSA and FEMSA to take specified actions and refrain from certain 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.

The Coca-Cola Company and its subsidiaries are receiving stock consideration in the merger in contrast to the other stockholders of Panamco. Coca-Cola FEMSA offered stock consideration to The Coca-Cola Company and its subsidiaries, instead of cash, because Coca-Cola FEMSA determined that it would not have been financially feasible for it to offer to The Coca-Cola Company and its subsidiaries the cash merger consideration offered to all other stockholders of Panamco, without materially prejudicing Coca-Cola FEMSA s financial position and plans for the future. The Coca-Cola Company will receive merger consideration in the form of unlisted voting stock of Coca-Cola FEMSA. For this purpose, a value of $22.00 per share was assigned to each share of Panamco s Class A Common Stock, Class B Common Stock and Series C Preferred Stock beneficially owned by The Coca-Cola Company, notwithstanding that under the terms of the merger all other holders of outstanding shares of Panamco s Class B Common Stock will receive $38.00 per share in cash. The Coca-Cola Company was not presented with any consideration proposal with respect to its Panamco shares other than the price of $22.00 per share, payable in non-traded Coca-Cola FEMSA shares, and was informed by Coca-Cola FEMSA that it would not have been financially feasible to offer The Coca-Cola Company consideration in cash. The Coca-Cola Company agreed to accept a lower price for its shares of Panamco s Class B Common Stock because The Coca-Cola Company viewed the transaction as beneficial to the Coca-Cola bottling system as a whole. The Coca-Cola Company will not receive in the transaction any other form of consideration to compensate it for the lower price attributed to the Class B Common Stock beneficially owned by it.

On December 22, 2002, The Coca-Cola Company and FEMSA memorialized in a memorandum their understandings primarily relating to operational and business issues that will affect the combined company as follows:

The current stockholder arrangements between FEMSA and The Coca-Cola Company regarding Coca-Cola FEMSA will continue in place;

FEMSA will continue to consolidate Coca-Cola FEMSA s financial results;

The Coca-Cola Company and FEMSA will continue to discuss in good faith the possibility of implementing changes to Coca-Cola FEMSA s capital structure in the future;

There will be no changes in concentrate incidence pricing or marketing support by The Coca-Cola Company during the first year of operations following the merger. After the first anniversary of the completion of the merger, any decision by The Coca-Cola Company on these matters will be discussed in advance with Coca-Cola FEMSA and take into consideration the combined company s operating condition. However, after the first anniversary of the completion of the merger, The Coca-Cola Company will retain full discretion to implement these changes;

The Coca-Cola Company may require the establishment of a different long-term strategy for Brazil, which may require only local Brazilian bottling partners. The Coca-Cola Company will allow Coca-Cola FEMSA interim ownership of the Brazilian bottlers with the objective of improving current operations. If Coca-Cola FEMSA is successful in this endeavor, Coca-Cola FEMSA may be considered as part of The Coca-Cola Company s long-term strategic solution for Brazil. If, after taking into account Coca-Cola FEMSA s performance in Brazil, The Coca-Cola Company does not consider Coca-Cola FEMSA to be part of this long-term strategic solution for Brazil, then Coca-Cola FEMSA will sell its Brazilian franchise to The Coca-Cola Company or its designee at fair market value. Fair market value would be determined by independent investment bankers retained by each party at their own expense. If the valuations are within 10% of each other, fair market value would be defined as the average of the two. If the valuations differ by more than 10%, a third independent investment banker would be engaged at the expense of both parties to resolve the difference, and its determination of fair market value would be final. Both companies would use their best efforts to complete the valuation process within 120 days;

Shortly after completion of the merger, Coca-Cola FEMSA, FEMSA and The Coca-Cola Company will meet to discuss the optimal Latin America territorial configuration for the Coca-Cola bottling system. During this meeting, Coca-Cola FEMSA will consider all possible combinations and any asset swap transactions that may arise from this discussion. In addition, Coca-Cola FEMSA will entertain any potential combination as long as it is strategically sound and done at fair market value;

Coca-Cola FEMSA would like to keep open strategic alternatives that relate to the integration of carbonated soft drinks and beer. The Coca-Cola Company would explore these alternatives on a market-by-market basis at the appropriate time;

The Coca-Cola Company will sell to Compañía Internacional de Bebidas, referred to as Bebidas, FEMSA s subsidiary that holds shares of Coca-Cola FEMSA, upon Bebidas request, sufficient shares of Coca-Cola FEMSA to permit Bebidas to beneficially own 51% of the outstanding capital stock of Coca-Cola FEMSA (assuming that such subsidiary does not sell any shares of Coca-Cola FEMSA and that there are no issuances of Coca-Cola FEMSA stock other than as contemplated by the merger). In this proposed sale, Bebidas would pay the higher of:

the prevailing market price per Coca-Cola FEMSA share at the time of the sale, and

the sum of $2.216 per share plus The Coca-Cola Company s carrying costs.

This agreement would be in place for three years after the completion of the merger;

Coca-Cola FEMSA may be entering some markets where significant infrastructure investment may be required. The Coca-Cola Company and FEMSA will conduct a joint study that will outline strategies for these markets, as well as the investment levels required to execute these strategies. Subsequently, it is intended that FEMSA and The Coca-Cola Company will reach agreement on the level of funding to be provided by each of the partners. The parties intend that this allocation of funding responsibilities would not be overly burdensome for either partner; and

Subject to the execution and delivery of mutually satisfactory definitive agreements, The Coca-Cola Company intends to grant Coca-Cola FEMSA, at the effective time of the merger, a stand-by line of credit in the principal amount of $250 million. The purpose of this line of credit would be to support investments that Coca-Cola FEMSA may need to make during economically difficult periods prior to the third anniversary of the completion of the merger.

The Series D shares of Coca-Cola FEMSA to be issued to subsidiaries of The Coca-Cola Company as a consequence of the merger will be unlisted and subject to transfer restrictions under applicable securities laws and stockholders agreements. As a result of the issuance of these shares and the $260 million subscription by FEMSA of unlisted Series A shares of Coca-Cola FEMSA upon the completion of the merger, The Coca-Cola Company will increase its beneficial ownership percentage of the capital stock of Coca-Cola FEMSA to approximately 39.6% and its beneficial ownership percentage of the voting power of Coca-Cola FEMSA to approximately 46.4%. Upon completion of the merger, FEMSA is expected to beneficially own approximately 46% of the capital stock of Coca-Cola FEMSA and approximately 54% of the voting power of Coca-Cola FEMSA.

Financing of the Merger

Coca-Cola FEMSA estimates that approximately $2.72 billion will be required to pay the cash consideration and options pursuant to the merger, 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 investment of $260 million by FEMSA in Coca-Cola FEMSA that FEMSA has committed to make at the time of completion of the merger.

On December 22, 2002, Coca-Cola FEMSA obtained a commitment letter from JPMorgan Chase Bank, JPMorgan and Morgan Stanley Senior Funding to provide Coca-Cola FEMSA the following credit facilities:

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 commitment letter also provides that Coca-Cola FEMSA may finance the proposed transaction through the issuance of debt securities denominated in Mexican peso not exceeding the peso-equivalent of $300 million and that, in such case, the size of the bridge loan facility would be reduced dollar-for-dollar by the dollar-equivalent amount of any such issuance.

JPMorgan Chase Bank, JPMorgan and Morgan Stanley Senior Funding intend to syndicate the credit facilities to other financial institutions. The completion of the merger is conditioned on the disbursement of funds under the credit facilities by the lenders. Coca-Cola FEMSA does not have any alternative financing plans should the lenders fail to disburse funds under the credit facilities.

Principal under the bridge loan will be payable on the date that is 364 days from funding. Principal under the three-year facility will be payable on the date that is three years from funding, and principal under the five-year loan will be payable in equal semi-annual installments beginning on the date that is two years and six months from funding. Coca-Cola FEMSA expects to refinance the bridge loan with one or more issuances of debt securities in the Mexican and international capital markets or from other available financing.

The credit facilities are expected to bear interest at a reserve-adjusted London Interbank Offered Rate plus an applicable margin. The applicable margin for the bridge loan is expected to be 1% from the date of the funding through the 180th day, 2% after such day through the 270th day, and 2.5% thereafter until maturity. The applicable margin for both term loans is expected to be 0.85% for the first three years, and the applicable margin for the five-year term loan is expected to be 0.95% and 1.05% for the fourth and fifth year, respectively.

The credit agreements for the bridge and term loans are expected to include customary representation and warranties by Coca-Cola FEMSA as to itself, Panamco and their respective subsidiaries, including with respect to corporate existence, corporate and governmental authorizations, no contravention, financial information, absence of material adverse changes, compliance with law and other instruments, absence of material litigation, payment of taxes and other material obligations, solvency and insurance.

The credit agreements are also expected to include certain covenants that will be more restrictive prior to the repayment in whole of the bridge loan and, after such refinancing, not more restrictive than those then prevailing for similar facilities for companies with similar credit quality operating in comparable geographic and industry areas. Such covenants, among other things, will restrict:

- the payment of dividends;
- the granting of liens;
- the incurrence of indebtedness;
- the sale or transfer of assets;
- transactions with affiliates;
- the making of investments; and
- mergers and consolidations.

Coca-Cola FEMSA will also be required to maintain certain financial ratios.

The credit agreements are expected to contain standard events of default, including, among other events, the failure to pay interest, principal or other amounts when due, the failure to comply with covenants, inaccurate or false representations or warranties, cross defaults, change of control, judgment defaults, bankruptcy and insolvency.

The lenders obligation to fund the loans is subject to customary conditions, including, among others:

- negotiation and execution of definitive documentation with respect to the financings;
- the absence of a default or an event of default and the accuracy of representations and warranties;
- receipt of government and third party approvals and consents and the expiration of applicable waiting periods;
- the absence of litigation or other proceedings;
- the absence of competing financings by FEMSA, Coca-Cola FEMSA, Panamco and certain of their subsidiaries;
- the absence of information inconsistent with previously provided information and material and adverse with respect to the previously provided information and the merger and the loan commitments;

the absence of any event, change, circumstance or effect, in each case subsequent to the time of the commitments, that has or could reasonably be expected to have a material adverse effect on the business, results of operations or financial condition of Coca-Cola FEMSA, Panamco and their subsidiaries, taken as a whole, as of September 30, 2002, on the ability of any of the Coca-Cola FEMSA and Panamco to complete the merger or on the rights of lenders under the credit facilities documentation;

the absence of a change or disruption in the Mexican, United States or international financial, bank syndication or capital markets that has or could reasonably be expected to have a material adverse effect on the completion or syndication of the credit facilities or on the refinancing of the bridge loan; and

the receipt of final ratings from Standard & Poor s Rating Services and Moody s Investor Services for Coca-Cola FEMSA and the loans (after giving effect to the merger) of at least BBB- and Baa3, respectively, with stable outlook in each case.

In determining whether a material adverse effect has occurred, events, changes, circumstances or effects shall be excluded to the extent resulting from:

any change in United States or Mexican generally accepted accounting principles or official interpretations thereof that apply to Coca-Cola FEMSA, Panamco and their respective subsidiaries;

a downturn in the economy or business conditions in general in any country in which the Coca-Cola FEMSA or Panamco or any of their subsidiaries do business and not specifically relating to the them; or

the public announcement of the merger.

A different standard applies with respect to determining how any adverse event, change, circumstance or effect relating to Panamco s Venezuelan operations contributes towards a material adverse effect. This different standard is similar, but not identical to, the standard that applies under the Merger Agreement to Panamco s Venezuelan operations, which is described under The Merger Agreement and The Stockholder Agreements The Merger Agreement Representations and Warranties on page 76.

This summary of the expected terms of the credit facilities is based on the commitment provided to Coca-Cola FEMSA. The actual terms of the credit agreement have not yet been finalized and may vary from the terms described.

Regulatory Requirements

We set forth below a summary of the regulatory clearances and approvals required to effect the merger. While we believe that we will obtain the requisite clearances and approvals for the merger, we cannot assure you that we will obtain these approvals on satisfactory terms or conditions or as to the timing of receipt.

United States Antitrust Clearance

In satisfaction of the filing requirements under the Hart-Scott-Rodino Antitrust Improvements Act, Coca-Cola FEMSA and Panamco filed on January 22, 2003 with the United States Federal Trade Commission and the United States Department of Justice a notification and report form relating to the merger. 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 U.S. The antitrust agencies have the authority to seek to block the merger in federal courts, as may certain state attorneys general or private plaintiffs.

Competition Approvals Abroad

The parties are also required to comply with competition law requirements in Mexico and Brazil. The procedural and substantive rules in these countries differ from the applicable rules in the United States and from one another. Local authorities may have the power to block acquisitions that breach the local substantive test.

The laws in both countries require the filing of financial and transaction information with the local competition authorities. Competition authorities in Mexico and Brazil customarily contact other industry participants, such as customers, suppliers and competitors of the merging parties, to confirm that the information provided is correct and to gather additional information. Each competition authority will consider if the transaction results in undue restriction of competition.

The Mexican and Brazilian filings were submitted on January 20, 2003 and January 14, 2003, respectively. 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 we may effect the merger before a final decision is rendered by the Brazilian antitrust agency.

General

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, together with the required corporate documentation, with the Public Registry Office of the Republic of Panama. Should any other approval or action be required, we currently contemplate that approval would be sought or action taken.

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.

Rights of Dissenting Stockholders

Under Panama law, Panamco s stockholders are not entitled to dissenters rights, rights of appraisal or similar rights in connection with the merger.

Material Income Tax Consequences

United States Income Tax Consequences

The following summary discusses the material United States Federal income tax consequences to Panamco stockholders that receive cash for Panamco s Common Stock pursuant to the merger.

This discussion is based upon the United States Internal Revenue Code of 1986, as amended (the Internal Revenue Code), Treasury regulations, administrative rulings and judicial decisions currently in effect, all of which are subject to change (possibly with retroactive effect). This discussion assumes that Panamco stockholders hold Panamco s Common Stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code. In addition, this discussion does not address all aspects of United States Federal income taxation that may be relevant to particular Panamco stockholders in light of their personal investment circumstances or to Panamco stockholders subject to special treatment under the United States Federal income tax laws such as:

insurance companies;

tax-exempt organizations;

dealers in securities or foreign currency;

banks;

persons that hold Panamco s Common Stock as part of a straddle, a hedge against currency risk, a constructive sale or a conversion transaction;

United States Holders (as defined below) that have a functional currency other than the United States dollar;

partnerships, S corporations, mutual funds, regulated investment companies, real estate investment trusts and investors in such entities;

stockholders who acquired Panamco s Common Stock through the exercise of options or otherwise as compensation or through a tax-qualified retirement plan; or

holders of options granted under any Panamco benefit plan.

Furthermore, this discussion does not consider the potential effects of any state, local or foreign tax laws.

Holders of Panamco s Common Stock are urged to consult their own tax advisors regarding the specific tax consequences to them of the merger, including the applicability and effect of Federal, state, local and foreign income and other tax laws in their particular circumstances.

For purposes of this discussion, United States Holder means a beneficial owner of Panamco s Common Stock that is:

a citizen or resident alien individual of the United States;

a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any of its political subdivisions;

a trust if a United States court is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust; or

an estate that is subject to United States Federal income tax on its income regardless of its source.

A Non-United States Holder is a beneficial owner of shares that is not a United States Holder. If a partnership holds Panamco s Common Stock, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding Panamco s Common Stock, you should consult your own tax advisor.

United States Holders of Panamco s Common Stock

A United States Holder will generally recognize gain or loss for United States Federal income tax purposes as a result of the merger in an amount equal to the difference between such holder s adjusted tax basis in Panamco s Common Stock transferred in the merger and the cash received in the merger. Except as described below, such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if, on the date of the merger, the shares of Panamco s Common Stock have been held for more than one year. In the case of United States Holders that are individuals, long-term capital gains will be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

CFC Considerations

If Panamco qualifies as a controlled foreign corporation (CFC), or qualified as a CFC within the five years prior to the merger, certain United States Holders may recognize ordinary income as a result of the merger.

Panamco may currently be a CFC and may have been a CFC within the last five years. A corporation is a CFC if more than 50% of the shares of the corporation, by vote or value, are owned, directly or indirectly (including shares owned through attribution) by 10% CFC Stockholders. The term 10% CFC Stockholders means a United States person (including citizens or residents of the United States, corporations, partnerships, associations, trusts and estates created or organized in the United States) who owns, directly or indirectly, or is considered as owning through attribution, 10% or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation. Each 10% CFC Stockholder in a CFC is required to include in its gross income for a taxable year its pro rata share of the CFC s earnings and profits for that year attributable to certain types of income or investments.

A United States Holder will not be a 10% CFC Stockholder of Panamco and will not be subject to the CFC rules unless the United States Holder owns 10%, directly, indirectly or by attribution, of Panamco s Class B Common Stock. If a United States Holder is a 10% CFC Stockholder, or was a 10% CFC Stockholder at any time during the five years prior to the merger when Panamco was a CFC, then the gain recognized by such United States Holder pursuant to the merger will be treated as an ordinary income dividend to the extent of the earnings and profits of Panamco attributable to the United States Holders Panamco s Common Stock, which earnings and profits were accumulated during the periods such Panamco s Common Stock was held by such United States Holder when Panamco was a CFC. In determining the amount of Panamco earnings and profits attributable to a United States Holder s Panamco s Common Stock for these purposes, a United States Holder need not take into account any Panamco earnings and profits previously included in its gross income on a current basis, as described above.

The special rules applicable to CFCs will not increase the amount of gain recognized by 10% CFC Stockholders, only the character of such gain will be affected. We urge you to consult your own tax adviser with respect to the special rules applicable to CFCs and their impact on the United States Federal income tax consequences of the merger to you.

FPHC Considerations

Panamco believes that it will not be a foreign personal holding company (FPHC) for United States Federal income tax purposes in 2003 and, to the extent feasible, Panamco expects to take such reasonable actions as possible so as to avoid FPHC status in 2003. If, however, Panamco is nevertheless an FPHC in 2003, the amount of gain or loss a United States Holder recognizes pursuant to the merger may be affected.

A non-United States corporation is an FPHC for a taxable year during which (i) 60% or more of its gross income is FPHC income (reduced to 50% or more after the corporation s initial year as an FPHC) and (ii) more than 50% of the voting power or value of all stock in such corporation is owned, directly or indirectly (including shares owned through attribution), by 5 or fewer individuals who are United States persons. FPHC income generally includes royalties, annuities, proceeds from the sale of stock or securities and other passive income.

All United States Holders that are stockholders of an FPHC are required to include in their taxable income for each year a deemed dividend equal to their share of the corporation s undistributed FPHC income for that year. In general, a corporation s undistributed FPHC income is the corporation s total taxable income, with certain adjustments, less dividends paid by the corporation. Such a deemed dividend is recognized by all United States Holders that are stockholders of an FPHC with undistributed FPHC income, regardless of their percentage ownership in the corporation and regardless of whether they actually receive a dividend from the FPHC. However, income previously recognized by a 10% CFC Stockholder under the CFC rules described above would not also be recognized as undistributed FPHC income.

If Panamco were an FPHC in 2003 and had undistributed FPHC income, United States Holders would recognize a deemed dividend, taxable as ordinary income, equal to their pro rata shares of Panamco s undistributed FPHC income (less any amount previously included in income by 10% CFC Stockholders, as described above). United States Holders would increase their basis in their Panamco s Common Stock by the amount of that deemed dividend inclusion, which would affect the amount of capital gain or loss such United States Holders would recognize upon their disposition of Panamco s Common Stock for cash pursuant to the merger, as described above.

PFIC Considerations

Panamco believes that it is not and has never been a passive foreign investment company (PFIC) for United States Federal income tax purposes. If Panamco were nevertheless treated as a PFIC for any taxable year, such characterization could result in adverse United States tax consequences to a United States Holder of Panamco shares.

In general, Panamco would be a PFIC with respect to a United States Holder if, for any taxable year in which the United States Holder held Panamco shares, either:

75% or more of the gross income of Panamco for the taxable year were passive income; or

50% or more of the value, determined on the basis of a quarterly average, of Panamco s assets were attributable to assets that produce or are held for the production of passive income.

Form 5471 Reporting Requirements

United States Holders may be required to file IRS Form 5471 under certain circumstances. Failure to provide the information required by Form 5471 may result in substantial civil and criminal penalties. Each United States Holder should consult its own tax advisor with respect to the specific requirements for filing Form 5471.

Non-United States Holders of Panamco s Common Stock

In general, Non-United States Holders will not be subject to United States Federal income tax as a result of the exchange of Panamco s Common Stock for cash pursuant to the merger unless:

any gain attributable to Panamco s Common Stock is effectively connected with such Non-United States Holder s conduct of a trade or business in the United States, and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment that such holder maintains in the United States; or

such Non-United States Holder is an individual, is present in the United States for 183 or more days in the taxable year of the merger and some other conditions exist.

Backup Withholding on Cash Paid

Some non-corporate Panamco stockholders may be subject to a 30.0% backup withholding tax on cash payments received pursuant to the merger. Backup withholding will not apply, however, to a Panamco stockholder that (1) furnishes a correct taxpayer identification number and certifies that such stockholder is not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to Panamco stockholders, (2) provides a certification of foreign status on Form W-8BEN or a successor form or (3) is otherwise exempt from backup withholding.

Panama Income Tax Consequences

The following summary discusses the material Panama tax consequences of the merger to Panamco stockholders.

Panamco stockholders will generally not be subject to any Panama tax on gains realized pursuant to the merger because Panama income tax is exclusively territorial, meaning that only income (including any capital gains from the sale of Panamco stock) earned from sources within Panama is subject to taxation, regardless of the nationality, residence or domicile of the person earning such income. Until the final quarter of 2002, except for nominal amount of interest earned on a bank deposit within Panama which is exempt from Panama taxes, all income producing businesses, activities and assets of Panamco have been located entirely outside of Panama and, thus, any appreciation in the value of all Panamco stock until such time would be deemed to have arisen from sources outside of Panama. Although Panamco acquired the stock of a Panama subsidiary in the final quarter of 2002 that could give rise to future income from sources within Panama, we believe that such acquisition will not cause Panamco stockholders to incur Panama tax in the merger because (x) there might not be any appreciation in the value of the stock in the Panama subsidiary from the date of its acquisition to the date the merger is consummated, (y) the value of such stock in the Panama subsidiary is *de minimis* in proportion to Panamco s overall value, and (z) the manner in which Panama would impose any tax on Panamco stockholders as a result of such acquisition is unclear. As a result, we believe that any gains realized by Panamco stockholders participating in the merger will generally be deemed to arise from sources outside of Panama and not subject to tax.

Provisions for Unaffiliated Security Holders

No provision has been made to grant unaffiliated stockholders of Panamco access to the corporate files of Panamco or any other party to the merger or to obtain counsel or appraisal services at the expense of Panamco or any other such party.

Fees and Expenses

Whether or not the merger is completed, all fees and expenses incurred in connection with the merger will be paid by the party incurring those fees and expenses. Under certain circumstances described under The Merger Agreement and the Stockholder Agreements The Merger Agreement Termination Fee on page 84, Panamco or Coca-Cola FEMSA may be required to pay the other party a termination fee of $125,000,000 and reimburse up to $15,000,000 of such other party s expenses incurred in connection with the merger.

Fees and expenses of Panamco with respect to merger are estimated at this time to be as follows:

Type of Expense	Amount
Financial Advisor(1)	$18,500,000
Legal Advisors	$ 4,000,000
Auditors	$ 100,000
Printing, mailing and solicitation fees	$ 375,000
Filing fees(2)	$ 106,000
Reimbursement of expenses of the Voting Trust(3)	$ 1,000,000
Other	$ 80,000
TOTAL(4)	$24,161,000

(1) JPMorgan is acting as financial advisor to Panamco in connection with the merger. JPMorgan has not been retained to make solicitations in connection with the merger.
(2) Includes fees paid to the Securities and Exchange Commission.
(3) Panamco has agreed to reimburse the fees and expenses incurred by the Voting Trust in connection with the merger, including with respect to the consideration, evaluation and negotiation of the transaction, and the review and execution of related documents, not to exceed $1.0 million, unless otherwise approved by Panamco.
(4) Panamco has agreed to indemnify some of its advisors against certain liabilities.

Fees and expenses of FEMSA and Coca-Cola FEMSA with respect to merger are estimated at this time to be as follows:

Type of Expense	Amount
Financial Advisors(1)	$19,900,000
Legal Advisors	$ 5,879,000
Financial Due Diligence Advisor	$ 2,000,000
Acquisition Lenders	$21,333,000
Filing fees(2)	$ 255,000
Other	$ 591,000
TOTAL(3)	$49,958,000

(1) Allen & Company LLC and Morgan Stanley are acting as financial advisors to FEMSA and Coca-Cola FEMSA in connection with the merger. The financial advisors have not been retained to make solicitations in connection with the merger.
(2) Includes fees paid in connection with antitrust filings, Securities and Exchange Commission filings and other governmental approvals.
(3) FEMSA and Coca-Cola FEMSA have agreed to indemnify some of their advisors against certain liabilities in connection with the merger.

In addition, Coca-Cola FEMSA will reimburse The Coca-Cola Company and its subsidiaries for their costs and expenses incurred in connection with The Coca-Cola Company Stockholders Agreement and any related transactions to the extent approved in the future by the audit committee of the board of Coca-Cola FEMSA. Coca-Cola FEMSA has agreed to indemnify The Coca-Cola Company and its subsidiaries against certain liabilities in connection with the merger. See The Merger Agreement and the Stockholder Agreements The Stockholder Agreements The Coca-Cola Company Stockholders Agreement on page 90.

These fees and expenses will not reduce the merger consideration to be received by Panamco s stockholders in connection with the merger.

THE SPECIAL MEETING

Place; Date; Time

The special meeting of the stockholders of Panamco 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.

Purposes of the Special Meeting

The purposes of the special meeting are:

1. For the holders of Panamco s Class B Common Stock:

a. to consider and vote, as a class, upon a proposal to approve the Merger Agreement and the merger; and

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

2. For the holders of Panamco s Class A Common Stock, subject to the affirmative vote of the holders of Panamco s 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.

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

The Panamco board has approved, and declared advisable, the Merger Agreement and the merger and has determined that the merger is advisable and fair to, and in the best interests of, Panamco s stockholders, other than The Coca-Cola Company and its subsidiaries. See Special Factors Panamco s Reasons for the Merger and the Recommendation of the Panamco Board on page 22.

Record Date; Stock Entitled to Vote; Quorum

The Panamco board 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 adjournments or postponements of the meeting. Only the record holders of Panamco s Common Stock and Panamco s Series C Preferred Stock at the close of business on the record date are being asked to vote at the special meeting. A list of stockholders entitled to vote at the special meeting will be available for examination at Panamco s headquarters at 701 Waterford Way, Suite 800, Miami, Florida and its 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 this proxy statement until the special meeting.

As of March 28, 2003, there were 8,659,757 shares of Panamco s Class B Common Stock outstanding and entitled to vote at the special meeting, 2 shares of Panamco s Series C Preferred Stock outstanding and entitled to vote at the special meeting and 112,793,056 shares of Panamco s Class A Common Stock outstanding. Each share of Panamco s Class B Common Stock and Panamco s Series C Preferred Stock entitles the holder thereof to one vote. Each share of Panamco s Class A Common Stock will have one vote, subject to the affirmative vote of the holders of Panamco s Class B Common Stock with respect to asking the holders of Panamco s Class A Common Stock, as a class, to approve the Merger Agreement and the merger.

The holders of a majority of the outstanding shares of Panamco s Class B Common Stock must be present in person or represented by proxy at the special meeting in order for a quorum to be present and for business to be conducted. For purposes of the approval of the Merger Agreement and the merger by the holders of Panamco s Class A Common Stock, the Merger Agreement provides that the holders of a majority of the outstanding shares of Panamco s Class A Common Stock must be present in person or represented by proxy at the special meeting in order for a quorum to be present and for business to be conducted.

Brokers who hold shares in street name for customers do not have the authority to vote on the merger without instructions from beneficial owners. Proxies submitted by brokers without instructions are referred to

as broker non-votes. Broker non-votes will be counted toward a quorum but will not be treated as having been voted at the special meeting.

Votes Required

Pursuant to Panama law, Panamco s articles of incorporation and the Merger Agreement, the completion of the merger requires:

1. In the case of the resolutions to be considered by the holders of Panamco s Class B Common Stock, the affirmative vote of the holders of a majority of the outstanding shares of Panamco s Class B Common Stock. Accordingly, with respect to these matters, the failure to vote (other than Class B Common Stock held as a participant in the Voting Trust) with respect to Panamco s Class B Common Stock will have the effect of counting against the relevant resolutions.

2. In the case of the resolution to be considered by the holders of Panamco s Series C Preferred Stock, the approval by the holders of all outstanding shares of Panamco s Series C Preferred Stock. Accordingly, with respect to these matters, the failure to vote or an abstention from voting will have the effect of preventing the approval of the Merger Agreement and the merger.

In the case of the resolution to be considered by the holders of Panamco s Class A Common Stock, the Merger Agreement requires the affirmative vote of a majority of the outstanding shares of Panamco s Class A Common Stock present or represented by proxy at the special meeting who 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). Accordingly, with respect to these matters, the failure to vote will not count toward a quorum and, assuming a quorum is otherwise established, have no effect on the vote to approve the Merger Agreement and the merger and an abstention and a broker non-vote will have the effect of a vote against approval of the Merger Agreement and the merger.

Voting by Certain Stockholders

Subsidiaries of The Coca-Cola Company, who hold 25.0% of Panamco s outstanding Class B Common Stock and all of Panamco s outstanding Series C Preferred Stock, and certain other significant holders who hold shares of Panamco s Class B Common Stock, representing approximately 44% of Panamco s outstanding Class B Common Stock, as participants in the Voting Trust, have separately entered into stockholder agreements pursuant to which they have agreed (pursuant to the terms set forth in the stockholder agreements) to vote in favor of the Merger Agreement and the merger. See The Merger Agreement and the Stockholder Agreements The Stockholder Agreements on page 86. By virtue of the stockholder 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 proposals 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 Series C Preferred Stock in favor of the merger if the merger has not been approved by the majority of the holders of Panamco s Class A Common Stock present or represented by proxy at the special meeting who, in accordance with the Merger Agreement, are not disqualified holders. Furthermore, all the obligations of the subsidiaries of The Coca-Cola Company with regard to the voting of their shares would terminate in the event the Panamco board withdrew or adversely modified its approval or recommendation of the Merger Agreement or the merger.

Proxies; Solicitation of Proxies

All shares of Panamco s Class B Common Stock and Panamco s Class A Common Stock represented by properly executed WHITE proxies in accordance with Panamco s articles of incorporation, that are received in time for the special meeting and which have not been revoked will be voted in accordance with the instructions indicated in such proxies. Proxies that are signed and mailed that do not indicate how the holder wishes to vote, other than broker non-votes, will count in favor of the approval of the Merger Agreement and the merger and, in the case of an executed proxy with no instruction that relates to Panamco s Class B Common Stock, will also count in favor of asking the holders of Panamco s Class A Common Stock, as a class, to approve the Merger Agreement and the Merger.

The grant of a proxy on the enclosed proxy card does not preclude a stockholder from voting in person at the special meeting if the stockholder is present at the meeting and elects to do so.

A duly executed proxy may be revoked any time before the proxy is voted at the special meeting by presenting to the meeting an instrument revoking the 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

Panamco will bear the cost of the solicitation of proxies from its stockholders. We have retained Georgeson Shareholder to assist in the solicitation of proxies. Their fee is estimated to be $15,000, exclusive of out-of-pocket costs.

Voting by Participants in the Voting Trust

Holders of Panamco s Class B Common Stock that hold such shares as participants in the Voting Trust SHOULD NOT complete and return the enclosed WHITE proxy card. Instead, those holders must vote by giving instructions to the Voting Trustees to vote the shares 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, ATTN: Voting Trustees of the Panamerican Beverages, Inc. Voting Trust. In order to be binding upon the Voting Trustees, instructions must be received by April 24, 2003, at 5:00 p.m., New York time. If a participant in the Voting Trust fails to give instructions to the Voting Trustees, the Voting Trustees may vote such participant s shares in accordance with the recommendation of the Panamco board.

A holder of Panamco s Class B Common Stock that holds such shares as a participant in the Voting Trust may revoke or amend the voting instructions given to the Voting Trustees 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

MARKET PRICE AND DIVIDEND DATA

Panamco s Class A Common Stock has been listed on The New York Stock Exchange under the symbol PB since September 21, 1993. The following table sets forth the range of high and low sale prices as reported on The New York Stock Exchange, together with the dividends per share of Panamco s Class A Common Stock declared by Panamco, during the periods shown. For current price information, stockholders are urged to consult publicly available sources.

Calendar Period	High	Low	Dividends Declared
1999			
First Quarter	$22.00	$14.56	$0.06
Second Quarter	27.88	17.25	0.06
Third Quarter	24.75	16.38	0.06
Fourth Quarter	23.50	14.56	0.06
2000			
First Quarter	21.19	15.88	0.06
Second Quarter	17.75	14.94	0.06
Third Quarter	20.25	15.00	0.06
Fourth Quarter			