PANAMERICAN BEVERAGES INC
Form 10-Q
May 15, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ___________ TO ___________

COMMISSION FILE NUMBER 1-12290

PANAMERICAN BEVERAGES, INC.
(Exact name of registrant as specified in its charter)

REPUBLIC OF PANAMA	NOT APPLICABLE
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o Panamco, L.L.C.
701 Waterford Way, Suite 800
Miami, Florida
(Address of Principal Executive Offices)

33126
(Zip Code)

Registrant's Telephone Number, including area code: (305) 856-7100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common and preferred stock, par value $0.01 per share, as of May 9, 2001 were:

Class A Common Stock:	118,424,915
Class B Common Stock:	8,783,574
Class C Preferred Stock:	2

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PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(STATED IN THOUSANDS OF UNITED STATES OF AMERICA ("U.S.") DOLLARS)
(UNAUDITED)

	MARCH 31, 2001	DECEMBER 31, 2000
ASSETS		
Current Assets:		
Cash and equivalents	$ 199,884	$ 191,773
Accounts receivable, net	111,176	138,473
Inventories, net	104,125	105,439
Other current assets	27,789	30,268
Total Current Assets	442,974	465,953
Investments	102,303	158,006
Property, plant and equipment, net	1,099,857	1,125,719
Bottles and cases, net	226,350	236,527
Cost in excess of net assets acquired, net	890,804	903,683
Other assets	130,116	136,433
Total Assets	$ 2,892,404	$ 3,026,321
LIABILITIES		
Current Liabilities:		
Accounts payable	$184,539	$171,239
Current portion of long-term obligations	54,285	184,889
Bank loans	57,402	40,295
Other accrued liabilities	195,757	241,801
Total Current Liabilities	491,983	638,224
Long-term Liabilities:		
Long-term obligations, net of current portion	1,053,960	1,028,575
Other liabilities	178,243	164,406
Total Long-term Liabilities	1,232,203	1,192,981
Minority interest in consolidated subsidiaries	28,418	27,805
SHAREHOLDERS' EQUITY		
Capital	1,480	1,480
Capital in excess of par value	1,585,594	1,585,498
Retained earnings	64,227	50,632
Accumulated other comprehensive loss	(427,375)	(399,541)
	1,223,926	1,238,069
Less - Treasury shares, at cost	(84,126)	(70,758)
Total Shareholders' Equity	1,139,800	1,167,311
Total Liabilities and Shareholders' Equity	$ 2,892,404	$ 3,026,321

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(STATED IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended March 31, 2001	2000
Net sales	$ 648,029	$ 608,181
Cost of sales, excluding depreciation and amortization	316,263	298,421
Gross profit	331,766	309,760
Operating expenses:		
Selling, general and administrative	208,866	207,440
Depreciation and amortization	53,626	56,726
Amortization of goodwill	6,610	9,104
Facilities reorganization charges	-	79,878
	269,102	353,148
Operating income (loss)	62,664	(43,388)
Other income (expense):		
Interest income	9,016	7,738
Interest expense	(32,604)	(37,109)
Other expense, net	(2,176)	(8,249)
Income (loss) before income taxes	36,900	(81,008)
Provision (benefit) for income taxes	14,045	(9,255)
Income (loss) before minority interest	22,855	(71,753)
Minority interest in earnings (losses) of subsidiaries	1,534	(251)
Net income (loss)	$ 21,321	$ (71,502)
Cash operating profit	$ 122,900	$ 61,974
Basic earnings (loss) per share	$ 0.17	$ (0.55)

Basic weighted average shares outstanding, in thousands	128,308	129,142
Diluted earnings (loss) per share	$ 0.16	$ (0.55)
Diluted weighted average shares outstanding, in thousands	129,528	129,142

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(STATED IN THOUSANDS OF U.S. DOLLARS)
(UNAUDITED)

	Three Months Ended March 31,	
	2001	2000
Net cash provided by operating activities	$ 81,050	$ 75,300
Cash flows from investing activities:		
Capital expenditures	(16,128)	(39,246)
Purchases of bottles and cases	(10,099)	(12,083)
Purchases of investments	-	(4,000)
Proceeds from sale of investments	52,620	-
Proceeds from sale of property, plant and equipment	4,098	10,193
Other	(1,554)	(257)
Net cash provided by (used in)investing activities	28,937	(45,393)
Cash flows from financing activities:		
Payment of bank loans and other long-term obligations	(153,145)	(9,730)
Proceeds from bank loans and other long-term obligations	74,720	6,319
Issuance of capital stock	-	412
Stock options exercised	131	-
Share repurchase	(13,402)	(11,761)
Payment of dividends to minority interest	-	(235)
Payment of dividends to shareholders	(7,726)	(7,730)
Other	-	1,762
Net cash used in financing activities	(99,422)	(20,963)
Effect of exchange rate changes on cash and cash equivalents	(2,454)	(6,825)
Net increase in cash and equivalents	8,111	2,119

Cash and equivalents at beginning of period	191,773	152,648
Cash and equivalents at end of period	$ 199,884	$ 154,767
Supplemental cash flow disclosures:		
Cash paid during the year for:		
Interest (net of capitalized interest)	$ 30,533	$ 36,104
Income taxes	$ 17,081	$ 8,906
Noncash activities:		
Write-off of property, plant and equipment against accrued facilities reorganization charges	$ -	$ 39,533
Write-off of costs in excess of net assets acquired against accrued facilities reorganization charges	$ -	$ -

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(STATED IN THOUSANDS OF U.S. DOLLARS)
(UNAUDITED)

(1) Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Panamerican Beverages, Inc. (the "Company"), in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's consolidated financial position as of March 31, 2001 and December 31, 2000, and the consolidated results of operations for the three months ended March 31, 2001 and 2000. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the SEC.

These unaudited financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's 2000 Annual Report on Form 10-K filed with the SEC on April 2, 2001. The Company has made no significant changes in accounting policies from those reflected in the consolidated financial statements included in the Annual

(Stated in thousands of U.S. dollars)

Report on Form 10-K.

The financial statements of the Colombian and Venezuelan subsidiaries for all periods have been remeasured into U.S. dollars, the reporting and functional currency, in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation", as it applies to highly inflationary economies. The functional currencies of the Mexican, Brazilian, Costa Rican, Nicaraguan and Guatemalan subsidiaries are the Mexican peso, Brazilian real, Costa Rican colon, Nicaraguan cordova and Guatemalan quetzal, respectively. The financial statements of the Mexican, Brazilian, Costa Rican, Nicaraguan and Guatemalan subsidiaries have been translated using the current rate translation method and the resulting translation adjustments are included in accumulated other comprehensive income (loss), which is a component of shareholders' equity. Foreign currency translation gains (losses) on monetary assets and liabilities for the Colombian and Venezuelan subsidiaries have been included in the consolidated statements of operations captions to which such items relate as shown below:

	Three Months Ended March 31,	
	2001	2000
Net sales	$ 2	$ (310)
Cost of sales and operating expenses	658	1,216
Interest and other income, net	2,275	(573)
Provision for income taxes	46	291
Net translation gain	$ 2,981	$ 624

(2) New Accounting Standards and Pronouncements

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125." SFAS No. 140 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. Those standards are based on consistent application of a financial-components approach that focuses on control. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, de-recognizes financial assets when control has been surrendered, and de-recognizes liabilities when extinguished. SFAS No. 140 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The Company adopted SFAS No. 140 on March 31, 2000. The adoption of this standard did not have a material effect on its financial position or results of operations.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires the recognition of all derivatives on the consolidated balance sheet at fair value. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income immediately. The ineffective portion of a hedge's change in fair value is recognized in income. The Company adopted SFAS No. 133, as amended, on January 1, 2001. The adoption of SFAS No. 133 and subsequent recording of the change in value related to its cash flow hedge resulted in a total reduction in accumulated other comprehensive income of approximately $7.4 million in the Company's condensed consolidated financial statements for the quarter ending March 31, 2001.

(3) Reorganization Programs

Throughout the year 2000, the Company continued its reorganization programs, which were implemented originally during the first quarter of 2000. As a result of these reorganization programs, during the year ended December 31, 2000, the Company recorded the following items in its statements of operations:

Facilities Reorganization Charges - During the year ended December 31, 2000, the Company recorded $503,659 of facilities reorganization charges, of which $79,878 was recorded during the first quarter and $423,781 was recorded during the fourth quarter. These charges are primarily the result of the $350,000 write-down of goodwill, attributable to Panamco Venezuela; the write-off of noncash items of property, plant and equipment, obsolete bottles and cases and nonrecurring charges (related to legal contingencies) amounting to $65,088; and cash items relating primarily to severance payments, job terminations and reorganization of the distribution system of the Venezuelan and Brazilian subsidiaries amounting to $88,571.

Severance payments recorded during 2000 relate to the termination of approximately 10,000 employees across all levels and operating units of the Company. Approximately 6,500 employees had been terminated by the Company as of March 31, 2001.

Nonoperating Charges - During the year ended December 31, 2000, the Company recorded $5,977 of charges, of which $5,387 were recorded in the first quarter and $590 were recorded in the fourth quarter, related to the disposal of nonoperating assets, including land of some of the operating plants, which are presented as part of other expense, net.

As a result of the facilities reorganization charges and nonoperating charges, the Company recorded a tax benefit of $46,516, of which $23,405 was recorded in the first quarter and $23,111 was recorded in the fourth quarter of fiscal 2000.

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PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Stated in thousands of U.S. dollars)
(Unaudited)

The following table shows a summary of the net charges and benefits recorded in the consolidated statements of operations for the year ended December 31, 2000:

	Year Ended December 31, 2000		
	Cash	Noncash	Total
Restructuring charges	$ 86,677	$ 24,814	$111,491
Asset write-offs	1,894	381,637	383,531
Nonrecurring charges	-	8,637	8,637
	88,571	415,088	503,659
Nonoperating charges	-	5,977	5,977
Gross charges	$ 88,571	$ 421,065	509,636
Income tax benefit			46,516
Net charges			$463,120

The following tables show the status of the balance of the reorganization accrual and asset write-down allowance at March 31, 2001 and December 31, 2000. Balances of $41,005 and $47,875 related to accrued facilities reorganization costs are reflected in other accrued liabilities and balances of $7,651 and $7,756 are reflected in other long-term liabilities in the condensed consolidated balance sheets at March 31, 2001 and December 31, 2000, respectively:

	Balance at December 31, 2000	Severance and other cash payments applied	Balance at March 31, 2001
Job termination and severance payments	$ 44,899	$ 6,870	$ 38,029
Other	10,732	105	10,627
Total	$ 55,631	$ 6,975	$ 48,656

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PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Stated in thousands of U.S. dollars)
(Unaudited)

	Balance at December 31, 1999	==== Charges ==== Cash	Noncash	========= Applications = Severance and other cash payments	Property and equipment sold
Write-off of property and equipment	$ -	$ 2,770	$ 54,451	$ -	$ 6,112
Job termination and severance payments	-	78,769	-	33,870	-
Venezuela goodwill impairment	-	-	350,000	-	-
Other	-	7,032	10,637	6,937	-
Total	$ -	$88,571	$415,088	$ 40,807	$ 6,112

(4) Inventories

Inventories consist of:

	March 31, 2001	December 31, 2000
Bottled beverages	$ 30,608	$ 31,745
Raw materials	44,304	41,675
Spare parts and supplies	32,303	35,473
	107,215	108,893
Less-Allowance for obsolete and slow moving items	3,090	3,454
	$ 104,125	$ 105,439

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Stated in thousands of U.S. dollars)
(Unaudited)

(5) Property, Plant, Equipment, and Bottles and Cases

(Stated in thousands of U.S. dollars)

Property, plant, equipment, and bottles and cases consist of:

	March 31, 2001	December 31, 2000
Property, plant and equipment	$ 1,997,831	$ 1,996,820
Less - Accumulated depreciation	897,974	871,101
	1,099,857	1,125,719
Bottles and cases, net	226,350	236,527
	$ 1,326,207	$ 1,362,246

(6) Transactions with Related Parties

For the three months ended March 31, 2001, the Company conducted transactions with related parties. A summary of balances as of March, 31 2001 and December 31, 2000 and transactions for the three months ended March 31, 2001 and 2000 with related parties is as follows:

	March 31, 2001	December 31, 2000
Accounts receivable:		
Subsidiaries of Coca-Cola	$ 9,079	$ 7,934
Subsidiaries of Kaiser	1,848	2,532
	$ 10,927	$ 10,466
Accounts payable:		
Subsidiaries of Coca-Cola	$ 22,812	$ 17,076
Productos de Vidrio, S.A.	3,094	-
Central Azucarero Portuguesa, C.A.	7,559	-
Tapon Corona de Colombia. S.A.	875	994
Comptec, S.A.	209	976
Other	386	773
	$ 34,935	$ 19,819

	Three Months Ended March 31,	
	2001	2000

Income:		
Marketing expense support	$ 6,360	$10,156
Other	496	768
	$ 6,856	$10,924
Expenses:		
Purchase of concentrate	$56,814	$64,932
Purchase of beer	16,140	14,587
Purchase of other inventories	9,618	8,410
	$82,572	$87,929
Capital expenditure incentives received in cash	$ 678	$ -

(7) Other Transactions

On February 22, 2001, Panamco Venezuela entered into an agreement with Chase Manhattan Bank, as arranger and administrative agent, to obtain a one-year loan in the amount of $25.0 million, guaranteed by the Company, with quarterly interest payments with an average annual interest rate of three-month LIBOR plus 1.75%. The loan proceeds were used for debt restructuring.

On March 19, 2001, Panamco Venezuela entered into an agreement with Banco Bilbao Vizcaya Argentaria ("BBVA") S.A., as administrative agent, and BBVA Securities Inc. and Wachovia Securities, Inc., as arrangers, for a loan in the amount of $45.1 million, which is guaranteed by the Company. The loan matures on July 16, 2004 with semiannual payments and an average annual interest rate ranging from six-month LIBOR plus 1.75% for year one and year two to six-month LIBOR plus 2.0% after year two until maturity. The loan proceeds were used for debt restructuring.

(8) Share Repurchase Program

On December 9, 1999, the Board of Directors authorized a share repurchase program of the Company's Class A Common Stock in an amount not to exceed $100 million in the aggregate. The shares may be purchased in the open market or in privately negotiated transactions, depending on market conditions and other factors. The Company repurchased 765,597 shares amounting to $13.4 million at an average price per share of $17.51 during the three months ended March 31, 2001. Since the beginning of the program in December 1999, the Company has repurchased 1,916,476 shares for a total amount of $34.6 million at an average price per share of $18.05.

(9) Earnings (Loss) per Share

In accordance with SFAS No. 128, "Earnings per Share," basic earnings per common share calculations are determined by dividing earnings available to common shareholders by the weighted average number of shares of common stock. Diluted earnings per share are determined by dividing earnings available to common shareholders by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding, related to outstanding stock options and nonvested stock grants.

Following is a reconciliation of the weighted average number of shares outstanding with the number of shares used in the computation of diluted earnings (loss) per share:

	Three Months Ended March 31,	
	2001	2000
Numerator:		
Net income (loss)	$ 21,321	$ (71,502)
Denominator (in thousands):		
Denominator for basic earnings (loss) per share	128,308	129,142
Effect of dilutive securities:		
Options to purchase common stock	1,220	-
Denominator for diluted earnings (loss) per share	129,528	129,142

PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Stated in thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31,	
	2001	2000
Earnings (loss) per share:		
Basic	$ 0.17	$ (0.55)
Diluted	$ 0.16	$ (0.55)
Anti-dilutive securities not included in the diluted earnings (loss) per share calculation:		
Options to purchase common stock (in thousands)	2,680	5,408
Exercise prices:	$ 17.50	$ 13.75

	to	to
	$ 29.93	$ 29.93

(10) Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss), foreign currency translation and unrealized gains (losses) on derivative instruments. The comprehensive income (loss) for the three months ended March 31, 2001 and 2000 is as follows:

	Three Months Ended March 31,	
	2001	2000
Net income (loss)	$ 21,321	$ (71,502)
Other comprehensive income (loss):		
Foreign currency translation	(20,415)	8,555
Unrealized holding loss on derivative financial instruments	(7,419)	-
	$ (6,513)	$ (62,947)

PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Stated in thousands of U.S. dollars)
(Unaudited)

(11) Segments and Related Information

Relevant information concerning the geographic areas in which the Company operates, is as follows:

	Three Months Ended March 31, 2001				
	Mexico	Brazil	Colombia	Venezuela	Central America
Net sales	$234,188	$128,446	$ 94,900	$ 134,113	$ 56,382
Operating income (loss)	$ 37,188	$ 7,203	$ 7,162	$ 9,093	$ 7,629
Interest income	$ 2,422	$ 350	$ 2,430	$ 1	$ 423
Interest expense	$ (4,543)	$ (510)	$ (3,162)	$ (8,126)	$ (508)

Depreciation and amortization	$ 15,346	$ 6,294	$ 14,122	$ 15,332	$ 4,212
Capital expenditures	$ 7,424	$ 1,915	$ 969	$ 2,980	$ 2,840
	March 31, 2001				
Long-lived assets	$515,408	$218,181	$349,034	$ 377,912	$133,864
Total assets	$635,135	$381,931	$415,138	$ 433,484	$180,948

	Three Months Ended March 31, 2000				
	Mexico	Brazil	Colombia	Venezuela	Central America
Net sales	$219,194	$127,717	$ 91,885	$ 116,476	$ 52,909
Operating income (loss)	$ 11,491	$ (3,287)	$(16,165)	$ (31,054)	$ 4,928
Interest income	$ 1,983	$ 421	$ 891	$ 1	$ 350
Interest expense	$ (6,522)	$ (3,857)	$ (2,654)	$ (5,848)	$ (631)
Depreciation and amortization	$ 13,020	$ 7,374	$ 14,782	$ 19,119	$ 4,232
Capital expenditures	$ 19,814	$ 1,043	$ 2,123	$ 11,194	$ 5,072
	December 31, 2000				
Long-lived assets	$484,432	$246,149	$361,364	$ 385,220	$133,084
Total assets	$591,925	$425,134	$457,102	$ 461,486	$180,773

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PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
SUPPLEMENTARY FINANCIAL INFORMATION
(Stated in thousands of U.S. dollars)
(Unaudited)

The statements of operations data for Panamco Mexico, Panamco Brasil, Panamco Colombia, Panamco Venezuela, and Panamco Central America (Costa Rica, Nicaragua and Guatemala) are presented on the following pages. The data presented as of and for each period have been derived from the unaudited financial statements of Panamco Mexico, Panamco Brasil, Panamco Colombia, Panamco Venezuela, and Panamco Central America, as applicable, which financial statements are not included herein. Additionally, the data presented does not include the unaudited financial data of the Holding company, the Corporate offices or some minor entities; nor does it reflect the eliminating entries that are used in consolidating the unaudited financial statements of the aforementioned subsidiaries.

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PANAMCO MEXICO
(Stated in thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Selected statements of operations:		
Net sales	$ 234,188	$ 219,194
Cost of sales, excluding depreciation and amortization	101,623	100,987
Gross profit	132,565	118,207
Operating expenses:		
Selling, general and administrative	80,031	74,737
Depreciation and amortization	14,824	12,274
Amortization of goodwill	522	746
Facilities reorganization charges	-	18,959
	95,377	106,716
Operating income	37,188	11,491
Interest expense, net	(2,121)	(4,539)
Other income (expense), net	1,013	(1,623)
Income before income taxes	36,080	5,329
Provision for income taxes	12,092	1,614
Income before minority interest	23,988	3,715
Minority interest in Panamco Mexico subsidiaries	906	140
Net income attributable to Panamco Mexico holding company	23,082	3,575
Minority interest in Panamco Mexico holding company	429	66

Net income attributable to Panamco	$ 22,653	$ 3,509
Cash operating profit	$ 52,534	$ 34,874
Unit Case Sales Data (in millions):		
Soft drinks	64.7	66.9
Water	39.2	37.0
Other products	0.7	0.5

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PANAMCO BRASIL
(Stated in thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31,	
	2001	2000
Selected statements of operations:		
Net sales	$ 128,446	$ 127,717
Cost of sales, excluding depreciation and amortization	82,216	79,629
Gross profit	46,230	48,088
Operating expenses:		
Selling, general and administrative	32,733	32,883
Depreciation and amortization	5,655	6,866
Amortization of goodwill	639	508
Facilities reorganization charges	-	11,118
	39,027	51,375
Operating income (loss)	7,203	(3,287)
Interest expense, net	(160)	(3,436)
Other expense, net	(4,636)	(1,765)
Income (loss) before income taxes	2,407	(8,488)
Benefit from income taxes	(246)	(3,142)
Income (loss) before minority interest	2,653	(5,346)
Minority interest in Panamco Brasil holding company	22	(58)
Net income (loss) attributable to Panamco	$ 2,631	$ (5,288)
Cash operating profit	$ 13,497	$ 8,117

Unit Case Sales Data (in millions):		
Soft drinks	68.0	61.0
Water	5.1	3.8
Beer	17.1	16.3

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PANAMCO COLOMBIA
(Stated in thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31, 2001	2000
Selected statements of operations:		
Net sales	$ 94,900	$ 91,885
Cost of sales, excluding depreciation and amortization	42,847	39,278
Gross profit	52,053	52,607
Operating expenses:		
Selling, general and administrative	30,769	35,765
Depreciation and amortization	14,052	14,782
Amortization of goodwill	70	-
Facilities reorganization charges	-	18,225
	44,891	68,772
Operating income (loss)	7,162	(16,165)
Interest expense, net	(732)	(1,763)
Other income (expense), net	196	(2,460)
Income (loss) before income taxes	6,626	(20,388)
Provision (benefit) for income taxes	1,955	(6,131)
Income (loss) before minority interest	4,671	(14,257)
Minority interest in Panamco Colombia subsidiaries holding company	50	48
Net income (loss) attributable to Panamco Colombia holding company	4,621	(14,305)
Minority interest in Panamco Colombia	127	(392)
Net income (loss) attributable to Panamco	$ 4,494	$ (13,913)

Cash operating profit	$ 21,284	$ 5,535
Unit Case Sales Data (in millions):		
Soft drinks	37.7	38.9
Water	10.3	8.3
Other products	0.1	-

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PANAMCO VENEZUELA
(Stated in thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31, 2001	2000
Selected statements of operations:		
Net sales	$ 134,113	$ 116,476
Cost of sales, excluding depreciation and amortization	63,881	54,137
Gross profit	70,232	62,339
Operating expenses:		
Selling, general and administrative	45,807	43,420
Depreciation and amortization	15,332	19,119
Facilities reorganization charges	-	30,854
	61,139	93,393
Operating income (loss)	9,093	(31,054)
Interest expense, net	(8,125)	(5,847)
Other income (expense), net	3,561	(998)
Income (loss) before income taxes	4,529	(37,899)
Benefit from income taxes	(2,273)	(3,670)
Net income (loss) attributable to Panamco	$ 6,802	$ (34,229)
Cash operating profit	$ 24,425	$ 5,642
Unit Case Sales Data (in millions):		
Soft drinks	37.9	36.0
Water	6.0	4.9
Beer	1.0	0.3
Other products	1.6	1.6

PANAMCO CENTRAL AMERICA
(Stated in thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Selected statements of operations:		
Net sales	$ 56,382	$ 52,969
Cost of sales, excluding depreciation and amortization	25,696	24,605
Gross profit	30,686	28,364
Operating expenses:		
Selling, general and administrative	18,845	18,482
Depreciation and amortization	4,154	4,170
Amortization of goodwill	58	62
Facilities reorganization charges	-	722
	23,057	23,436
Operating income	7,629	4,928
Interest expense, net	(85)	(281)
Other expense, net	(72)	(189)
Income before income taxes	7,472	4,458
Provision for income taxes	1,970	946
Net income attributable to Panamco	$ 5,502	$ 3,512
Cash operating profit	$ 11,841	$ 9,804
Unit Case Sales Data (in millions):		
Soft drinks	16.6	16.9
Water	0.8	0.6
Other products	0.2	0.1

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion addresses the financial condition and results of operations of Panamerican Beverages, Inc. ("Panamco") and its consolidated subsidiaries. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements as of March 31, 2001 and December 31, 2000 and for the three months ended March 31, 2001 and 2000 and the notes thereto included elsewhere herein. Results for any interim period are not necessarily indicative of results for any full year.

We conduct our operations through tiers of subsidiaries in which, in some cases, minority shareholders hold interests. Since we have varying percentage ownership interests in our approximately 60 consolidated subsidiaries, the amount of the minority interest in income or loss before minority interest during a period depends upon the revenues and expenses of each of the consolidated subsidiaries and the percentage of each of such subsidiary's capital stock owned by minority shareholders during such period.

In 1998, we created the "Panamco Central America" group, which consists of Panamco Costa Rica, Panamco Nicaragua and Panamco Guatemala. The financial condition and results of operations of these three companies have been reported together in the financial statements of Panamco Central America.

In February 1999, we formed the North Latin American Division, which consists of Panamco Mexico and Panamco Central America. We will continue to report these results of operations separately.

Unit case means 192 ounces of finished beverage product (24 eight-ounce servings). Average sales prices per unit case means net sales in U.S. dollars for the period divided by the number of unit cases sold during the same period. Cash operating profit means operating income plus depreciation, amortization of goodwill and noncash facilities reorganization charges.

Forward-looking statements, contained in this document include the amount of future capital expenditures and the possible uses of proceeds from any future borrowings. The words believes, intends, expects, anticipates, projects, estimates, predicts, and similar expressions are also intended to identify forward-looking statements. Such statements, estimates, and projections reflect various assumptions by our management, concerning anticipated results and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. Factors that could cause results to differ include, but are not limited to, changes in the soft drink business environment, including actions of competitors and changes in consumer preference, changes in governmental laws and regulations, including income taxes, market demand for new and existing products, raw material prices and devaluation of local currencies against the U.S. dollar. Accordingly, we cannot assure you that such statements, estimates and projections will be realized. The forecasts and actual results will likely vary and those variations may be material. We make no representation or warranty as to the accuracy or completeness of

such statements, estimates or projections contained in this document or that any forecast contained herein will be achieved.

Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000

Consolidated Results of Operations

Net sales for the first quarter ended March 31, 2001 increased 6.6% to $648.0 million from $608.2 million in the 2000 first quarter, mainly due to an increase of 4.7% in consolidated unit case sales volume. Total unit case sales increased to 307.0 million cases from 293.1 million unit cases in the 2000 period. Total volume growth of 4.7% was led by Brazil, where total volume increased by 11.2% and soft drink volume increased by 11.4%. Venezuela reported total volume growth of 8.6% and soft drink volume growth of 5.4%. Colombia's total volume increased by 1.9%, followed by Mexico where total volume increased by 0.2% and Central America decreased by 0.3%. Consolidated water and beer volumes grew by 12.4% and 9.4%, respectively.

Cost of sales as a percentage of net sales decreased to 48.8% during the first quarter of 2001 from 49.1% in the 2000 period. This decrease resulted from the Company's cost restructuring programs, primarily from cost savings in raw materials and packaging in several countries due to improved procurement contracts.

Gross profit as a percentage of net sales increased to 51.2% during the first quarter of 2001 from 50.9% in the first quarter of 2000.

The following comments reflect the consolidated results of operations excluding the recording of facilities reorganization charges, asset write-offs, and nonoperating charges totaling $85.3 million, net of the related tax benefit of $23.4 million, during the first quarter of 2000:

Operating expenses as a percentage of net sales decreased to 41.5% during the first quarter of 2001 from 44.9% in the 2000 period, mainly as a result of the initial benefits of the reorganization program.

Operating income increased 71.7% to $62.7 million during the first quarter of 2001 from $36.5 million in the 2000 period, primarily as a result of increased sales and volume as well as the initial benefits of the reorganization program. Cash operating profit increased 20.1% to $122.9 million in 2001 from $102.3 million in the first quarter of 2000.

Net interest expense decreased to $23.6 million during the first quarter of 2001 from $29.4 million in the 2000 period, primarily as a result of net debt (total indebtedness less cash and equivalents) reduction of $96.2 million for the quarter and $223.7 million from the 2000 first quarter.

Other expense, net decreased to $2.2 million during the first quarter of 2001 from $2.9 million in the 2000 period, primarily caused by a $5.1 million gain in sale of investments and a $2.6 million decrease in provision for contingencies, partially offset by a $7.8 increase in foreign exchange losses mainly in Brazil.

The consolidated effective income tax rate decreased to 38.1% during the first quarter of 2001 from 332.4% in the 2000 period. The Company has certain expenses, such as amortization of goodwill, which are non-deductible for tax purposes that, depending on income from operations, may cause significant variations in the effective income tax rate.

As a result of the foregoing, Panamco recorded net income of $21.3 million during the first quarter of 2001, or $0.17 per basic share ($0.16 on a diluted basis), compared to a net loss of $9.6 million, or $0.07 per share (basic and diluted), during the 2000 period.

Facilities Reorganization Charges

During the first quarter of 2000, Panamco began a company-wide reorganization program designed to improve productivity and strengthen the Company's competitive position in the beverage industry. The program includes productivity initiatives to streamline Panamco's manufacturing infrastructure, consolidation of distribution centers and warehouses, and the termination of approximately 10,000 jobs across all levels of the Company.

During the fourth quarter of 2000, Panamco performed an analysis of the Company's growth opportunities, cost structure and asset valuation. This resulted in several new steps to further position the Company for improved financial performance and future growth. These steps include additional restructuring of the distribution system in Brazil and Venezuela, plant closings and related disposal of property, plant and equipment, write-down of goodwill in the Venezuelan operating unit, write-off of obsolete fixed assets, bottles and cases, and asset write-downs related to coolers.

During the year ended December 31, 2000, Panamco recorded charges of $540.7 million, which was comprised of $503.6 million of facilities reorganization charges, $31.1 million of asset write-downs presented as part of depreciation and amortization expenses, and $6.0 million of charges related to the disposal of nonoperating assets presented in other income (expense). The following is a detail of the aforementioned items:

I. Facilities reorganization charges of $503.6 million consist of:

(1) Restructuring charges totaling $111.5 million consist of:

- Cash restructuring charges totaling approximately $86.7 million, which include $77.3 million related to job terminations and $9.4 million related to the restructuring of our distribution system in Brazil and Venezuela; and
- Noncash restructuring charges totaling approximately $24.8 million, which result from plant closings and the related disposal of property, plant and equipment.

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(2) Asset write-offs totaling $383.5 million consist of:

- $350 million write-down of goodwill reflecting the recognition of impairment of the cost in excess of net assets acquired in the Venezuelan operating unit;
- $23.8 million of obsolete property, plant and equipment in all operating units;
- $7.8 million of obsolete bottles and cases, mainly in the Venezuelan unit's water jug business; and
- $1.9 million of cash charges related to the disposal of property, plant and equipment.

(3) Nonrecurring charges totaling $8.6 million related to legal contingencies mostly pertaining to tax matters.

II. Asset write-downs totaling $31.1 million presented as part of depreciation and amortization expenses consist of:

- o $11.0 million from an increase in provision related to changing the useful lives of coolers; and
- o $20.1 million resulting from the write-down of bottles and cases due to loss in market value.

III. Nonoperating asset charges totaling $6.0 million related to the disposal of nonoperating assets, including the sale of affiliated companies and land in some of the operating units.

As a result of the above, Panamco's income for the year 2000 was impacted by facilities reorganization charges, asset write-downs and nonoperating charges totaling $494.2 million, net of the related tax benefit of approximately $46.5 million.

The following table shows a summary of the net charges and benefits recorded in the consolidated statements of operations for the year ended December 31, 2000:

	Year Ended December 31, 2000		
	Total	Fourth Quarter	First Quarter
Depreciation and amortization excluding goodwill:			
Asset write-downs	$ 31,079	$ 31,079	$ -
Facilities reorganization charges:			
Cash	88,572	48,226	40,346
Noncash	415,087	375,555	39,532
	503,659	423,781	79,878
Other income (expense), net:			
Nonoperating charges	5,976	590	5,386
Gross charges	540,714	455,450	85,264
Tax benefit	(46,516)	(23,111)	(23,405)
Net charges	$ 494,198	$ 432,339	$ 61,859

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As of March 31, 2001, the Company completed approximately 65% of its total planned workforce reduction. There has been no material change to the expected effects on future earnings and cash flows resulting from the facilities reorganization program, which were previously disclosed in the Company's Form 10-K for the year ended December 31, 2000.

Liquidity and Capital Resources

At March 31, 2001, we had consolidated cash and cash equivalents of $199.9 million, an increase of 4.2% compared to $191.8 million as of December 31, 2000. We have investments in bank deposits for $75.0 million, which guarantee bank loans obtained by subsidiaries and are therefore classified as noncurrent investments.

Consolidated cash flow provided by operations was $81.0 million and $75.3 million for the three months ended March 31, 2001 and 2000, respectively. Cash generated by the operations and available is sufficient to meet the current obligations of the Company.

Total consolidated indebtedness was $1,165.6 million as of March 31, 2001, consisting of $725.0 million at the holding company level and $440.6 million of subsidiary indebtedness. Of the total debt, 82.8% is dollar denominated and 90.5% is long-term.

The Company had an obligation to Coca-Cola Financial Corporation (U.S.), amounting to $100.0 million with an average annual interest rate of three-month LIBOR plus 3.25%. On February 28, 2001, the Company prepaid the remaining outstanding debt with Coca-Cola Financial Corporation (U.S.) in the amount of $100.0 million. There was no prepayment penalty.

On December 9, 1999, the Board of Directors authorized a share repurchase program for up to $100 million of our Class A common stock. We may repurchase shares in the open market as well as in privately negotiated transactions based on prevailing market conditions and other factors. We have repurchased 1,919,476 shares for $34.6 million at an average price per share of $18.05 since the beginning of the program in December 1999. During the three months ended March 31, 2001, we repurchased 765,597 shares for an aggregate of $13.4 million at an average price per share of $17.51.

Total capital expenditures for the three months ended March 31, 2001 were $16.1 million compared to $39.2 million for the three months ended March 31, 2000. This decrease resulted primarily from reduced capital spending.

In July 2000, Panamco Colombia issued unsecured promissory notes in local currency equivalent to $32.0 million. These notes include a $15.0 million issuance with a five year maturity and bearing interest at DTF (Colombian borrowing rate) plus 2.75% and a $17.0 million issuance with a seven year maturity and bearing interest at DTF plus 2.90%, of which both issuances pay interest quarterly. The proceeds from the debt issue were used to pay U.S. dollar denominated debt.

On February 21, 2001, Panamco Colombia issued unsecured, publicly traded bonds valued at Col$35,000,000,000 Colombian pesos (approximately $15.5 million in U.S. dollars) with a coupon rate of DTF plus 2.75% (15.5% at February 21, 2000) and a maturity date of August 9, 2005. The proceeds from the debt issue were used to pay U.S. dollar denominated debt.

On November 22, 2000, the Company entered into a swap agreement where it receives LIBOR at specified measurement dates and pays interest at a fixed rate of 6.44% on a notional amount of $250.0 million. The swap agreement, which is classified as a cash flow hedge and was initiated in order to reduce exposure to adverse fluctuation in interest rates, expires on November 22, 2002.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposure to market risk during the three months ended March 31, 2001. For a discussion of our exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in our Form 10-K for the year ended December 31, 2000.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal Proceedings information is addressed in Item 3 of our Form 10-K for the year ended December 31, 2000. There has been no material change to that information required to be disclosed in this Quarterly Report on Form 10-Q.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits:

10.1 - Credit Agreement dated as of February 22, 2001, by and among Panamco Venezuela, S.A., as borrower, Chase Manhattan Bank, as lender, and the Company, as guarantor.

10.2 - Amended and Restated Credit Agreement dated as of March 19, 2001, by and among Panamco Venezuela, S.A., as borrower, the Company, as guarantor, and Banco Bilbao Vizcaya Argentaria S.A., BBVA Securities Inc. and Wachovia Securities, Inc., as lenders.

10.3 - Employment agreement between the Company and William G. Cooling.

10.4 - Employment agreement between the Company and Henry A. Schimberg.

(b) Reports on Forms 8-K - The Company did not file any reports on Form 8-K during the three months ended March 31, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 15, 2001

PANAMERICAN BEVERAGES, INC.
(REGISTRANT)

By: /s/ Paulo J. Sacchi

Paulo J. Sacchi
Senior Vice President
Chief Financial Officer and Treasurer
(On behalf of the Registrant and as
Chief Accounting Officer)