PANAMERICAN BEVERAGES INC
Form 10-Q
August 14, 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 JUNE 30, 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 August 3, 2001 were:

Class A Common Stock:	116,328,480
Class B Common Stock:	8,697,479
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)

	JUNE 30, 2001	DECEMBER 31, 2000
ASSETS		
Current Assets:		
Cash and equivalents	$ 266,320	$ 191,773
Accounts receivable, net	112,005	138,473
Inventories, net	102,095	105,439
Other current assets	26,815	30,268
Total Current Assets	507,235	465,953
Investments	27,363	158,006
Property, plant and equipment, net	1,094,530	1,125,719
Bottles and cases, net	221,668	236,527
Cost in excess of net assets acquired, net	883,433	903,683
Other assets	127,879	136,433
Total Assets	$ 2,862,108	$ 3,026,321
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 178,184	$ 171,239
Current portion of long-term obligations	28,273	184,889
Bank loans	93,184	40,295
Other accrued liabilities	188,383	241,801

Total Current Liabilities	488,024	638,224
Long-term Liabilities:		
Long-term obligations, net of current portion	1,032,404	1,028,575
Other liabilities	177,030	164,406
Total Long-term Liabilities	1,209,434	1,192,981
Minority interest in consolidated subsidiaries	29,437	27,805
SHAREHOLDERS' EQUITY		
Capital	1,480	1,480
Capital in excess of par value	1,591,516	1,585,498
Retained earnings	96,907	50,632
Accumulated other comprehensive loss	(422,207)	(399,541)
	1,267,696	1,238,069
Less - Treasury shares, at cost	(132,483)	(70,758)
Total Shareholders' Equity	1,135,213	1,167,311
Total Liabilities and Shareholders' Equity	$ 2,862,108	$ 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Net sales	$ 671,434	$ 641,061	$1,319,463	$1,249,24
Cost of sales, excluding depreciation and amortization	318,200	300,513	634,463	598,93
Gross profit	353,234	340,548	685,000	650,30
Operating expenses:				
Selling, general and administrative	209,132	211,082	417,998	418,52
Depreciation and amortization	55,860	58,342	109,486	115,06
Amortization of goodwill	6,716	9,095	13,326	18,19
Facilities reorganization charges	-	-	-	79,87
	271,708	278,519	540,810	631,66
Operating income	81,526	62,029	144,190	18,64

Other income (expense):				
Interest income	4,734	8,057	13,750	15,79
Interest expense	(28,469)	(33,827)	(61,073)	(70,93
Other expense, net	(1,754)	(4,080)	(3,930)	(12,32
Income (loss) before income taxes	56,037	32,179	92,937	(48,82
Provision for income taxes	14,432	18,777	28,477	9,52
Income (loss) before minority interest	41,605	13,402	64,460	(58,35
Minority interest in earnings of subsidiaries	1,363	1,878	2,897	1,62
Net income (loss)	$ 40,242	$ 11,524	$ 61,563	$ (59,97
Basic earnings (loss) per share	0.32	$ 0.09	$ 0.48	$ (0.4
Basic weighted average shares outstanding, in thousands	126,917	128,733	127,609	128,93
Diluted earnings (loss) per share	$ 0.31	$ 0.09	0.48	$ (0.4
Diluted weighted average shares outstanding, in thousands	128,244	128,946	128,748	128,93

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)

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
Net cash provided by operating activities	$ 187,946	$ 125,452
Cash flows from investing activities:		
Capital expenditures	(37,938)	(66,297)
Purchases of bottles and cases	(19,986)	(28,511)
Purchases of investments	(428)	(4,000)
Proceeds from sale of investments	127,720	5,000
Proceeds from sale of property, plant and equipment	4,604	13,644
Other	(3,945)	810
Net cash provided by (used in) investing activities	70,027	(79,354)

Cash flows from financing activities:		
Payment of bank loans and other long-term obligations	(227,473)	(41,110)
Proceeds from bank loans and other long-term obligations	127,305	14,871
Issuance of capital stock	8,777	412
Share repurchase	(64,483)	(11,768)
Payment of dividends to minority interest	(975)	(536)
Payment of dividends to shareholders	(15,288)	(15,454)
Other	-	526
Net cash used in financing activities	(172,137)	(53,059)
Effect of exchange rate changes on cash and cash equivalents	(11,289)	(689)
Net increase (decrease) in cash and equivalents	74,547	(7,650)
Cash and equivalents at beginning of period	191,773	152,648
Cash and equivalents at end of period	$ 266,320	$ 144,998
Supplemental cash flow disclosures:		
Cash paid during the year for:		
Interest (net of capitalized interest)	$ 63,290	$ 67,361
Income taxes	38,079	32,525
Noncash activities:		
Write-off of property, plant and equipment against accrued facilities reorganization charges	-	39,533

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

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 June 30, 2001 and December 31, 2000, and the consolidated results of operations for the three and six months ended June 30, 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.

(Stated in thousands of U.S. dollars)

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 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Net sales	$ 112	(93)	$ 114	(403)
Cost of sales and operating expenses	908	4,538	1,566	5,754
Interest and other income (expense), net	(155)	1,419	2,120	846
Provision for income taxes	18	1,216	64	1,507
Net translation gain	$ 883	$ 7,080	$ 3,864	$ 7,704

(2) NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141

requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and the pooling-of-interest method will be prohibited. The remaining provisions of SFAS No. 141 will be effective for transactions accounted for using the purchase method that are completed after June 30, 2001. Under SFAS No. 142, goodwill and certain intangible assets are no longer subject to amortization over its estimated useful life, but instead will be subject to an impairment test to be performed at least annually. The provisions of SFAS No. 142 will be effective for fiscal years beginning after December 15, 2001, and will therefore be adopted by the Company on January 1, 2002. The Company is in the process of evaluating the effect the adoption of these standards will have on its financial statements.

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, 2001. 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, on January 1, 2001, resulted in a reduction in other comprehensive income of approximately $3,006. The Company also recorded an additional reduction of $275 and $4,688 in other comprehensive income relating to the change in fair value of the cash flow hedge for the quarter and six months ended June 30, 2001, respectively and an unrealized holding loss of $112 relating to the change in fair value of the fair value hedge for the quarter ended June 30, 2001.

(Stated in thousands of U.S. dollars)

(3) REORGANIZATION PROGRAMS

Throughout 2000, the Company continued its reorganization programs, which were initiated 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 7,100 employees had been terminated by the Company as of June 30, 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 of 2000 and $23,111 was recorded in the fourth quarter of fiscal 2000.

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 June 30, 2001 and December 31, 2000. Balances of $32,166 and $47,875 related to accrued facilities reorganization costs are reflected in other accrued liabilities and balances of $7,509 and $7,756 are reflected in other long-term liabilities in the condensed consolidated balance sheets at June 30, 2001 and December 31, 2000, respectively:

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

	BALANCE AT DECEMBER 31, 2000	SEVERANCE AND OTHER CASH PAYMENTS APPLIED	BALANCE AT JUNE 30, 2001
Job termination and severance payments	$ 44,899	$ 14,418	$ 30,481
Other	10,732	1,538	9,194
Total	$ 55,631	$ 15,956	$ 39,675

		==== CHARGES ====		========= APPLICATIONS =====	
	BALANCE AT DECEMBER 31, 1999	CASH	NONCASH	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:

	JUNE 30, 2001	DECEMBER 31, 2000
Bottled beverages	$ 29,219	$ 31,745
Raw materials	42,759	41,675
Spare parts and supplies	33,337	35,473
	105,315	108,893
Less - Allowance for obsolete and slow moving items	3,220	3,454
	$ 102,095	$ 105,439

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

(5) PROPERTY, PLANT, EQUIPMENT, AND BOTTLES AND CASES

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

	JUNE 30, 2001	DECEMBER 31, 2000
Property, plant and equipment	$ 2,016,992	$ 1,996,820
Less - Accumulated depreciation	922,462	871,101
	1,094,530	1,125,719
Bottles and cases, net	221,668	236,527
	$ 1,316,198	$ 1,362,246

(6) TRANSACTIONS WITH RELATED PARTIES

For the three and six months ended June 30, 2001, the Company conducted transactions with related parties. A summary of balances as of June 30, 2001 and December 31, 2000 and transactions for the three and six months ended June 30, 2001 and 2000 with related parties is as follows:

	JUNE 30, 2001	DECEMBER 31, 2000
Accounts receivable:		
Subsidiaries of Coca-Cola	$ 9,427	$ 7,934
Subsidiaries of Kaiser	1,986	2,532
	$ 11,413	$ 10,466
Accounts payable:		
Subsidiaries of Coca-Cola	$ 19,783	$ 17,076
Productos de Vidrio, S.A.	2,456	-
Central Azucarero Portuguesa, C.A.	1,110	-
Tapon Corona de Colombia, S.A.	1,151	994
Comptec, S.A.	57	976
Other	213	773
	$ 24,770	$ 19,819

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDE JUNE 30,	
	2001	2000	2001	20
Income:				
Marketing expense support (netted against marketing expenses)	$ 9,325	$ 10,523	$ 15,685	$ 2
Other	816	101	1,312	

(Stated in thousands of U.S. dollars)

	$ 10,141	$ 10,624	$ 16,997	$ 2
Expenses:				
Purchase of concentrate	$ 119,243	$ 79,189	$ 176,057	$ 14
Purchase of beer	12,638	13,986	28,778	2
Purchase of other inventories	10,860	5,119	19,149	1
	$ 142,741	$ 98,294	$ 223,984	$ 18
Capital expenditure incentives received in cash	$ 670	$ -	$ 1,348	$

(7) OTHER TRANSACTIONS

On February 22, 2001, Panamco de Venezuela, S.A. ("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 $25,000, guaranteed by the Company. The loan matures on February 21, 2002, with quarterly interest payments with an average annual interest rate of three-month LIBOR plus 1.75% and principal balance payable upon maturity.

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, to obtain a loan in the amount of $45,100, guaranteed by the Company. The loan matures on July 16, 2004, with semiannual interest payments with 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.

On April 20, 2001, Spal Industria Brasileira de Bebidas, S.A. (a subsidiary of the Company in Brazil, "Spal") entered into a credit agreement with BankBoston, N.A. as lender, to obtain two loans of $30,000 in the aggregate, guaranteed by the Company. The first loan amounts to $10,000 and matures on April 16, 2002, with semiannual interest payments with an annual interest rate of 6.65% and principal balance payable upon maturity. The second loan amounts to $20,000, with semiannual interest payments with an annual interest rate of 6.65% and principal balance of $5,000 payable on April 16, 2002 and principal balance of $15,000 payable on April 10, 2003. On the date of the loan, Spal also entered into four swap agreements with BankBoston, N.A. to exchange the dollar denominated debt totaling $30,000. The terms of the swap agreements are as follows: R2,109,870 (Brazilian reals) maturing on October 16, 2001; R32,753,046 maturing on April 15, 2002; R994,334 maturing on October 11, 2002; and R29,788,731 maturing on April 9, 2003. All four swap agreements have an interest rate of 90% of CDI (the Brazilian borrowing rate).

On May 30, 2001, Panamco Venezuela entered into a credit agreement with Comerica Bank as lender, to obtain a two-year loan in the amount of $15,000, guaranteed by the Company. The loan matures on May 30, 2003, with semiannual interest payments with an average annual interest rate of six-month LIBOR plus 2.50% and principal payable upon maturity.

On June 1, 2001, Spal entered into a credit agreement with Citibank, N.A. as lender, to obtain a two-year loan in the amount of $15,000, guaranteed by the Company. The loan matures on June 4, 2003, with semiannual interest payments with an average annual interest rate of six-month LIBOR plus 1.15% and principal payable upon maturity.

On June 4, 2001, Panamco Venezuela entered into an amendment and waiver (the "Amendment and Waiver") to the JPY2,163,000,000 credit agreement entered with Inarco International Bank, N.V. (an indirect wholly owned subsidiary of Citibank, N.A., the "Bank") dated as of July 18, 2000. Pursuant to the Amendment and Waiver, the Bank increased the total amount of the loan to JPY5,948,250,000 and reduced the average annual interest rate of six-month JPY LIBOR plus 3.24% to six-month JPY LIBOR plus 2.15%. This loan is being guaranteed by the Company and will mature on July 28, 2003.

On June 5, 2001, Panamco Venezuela entered into a credit agreement with Banco Santander Central Hispano, S.A. as lender, to obtain a one-year loan in the amount of $10,000, guaranteed by the Company. The loan matures on June 6, 2002, with quarterly interest payments with an average annual interest rate of three-month LIBOR plus 1.30% and principal payable upon maturity.

On June 27, 2001, Panamco Venezuela entered into an amendment agreement with BankBoston, N.A. in order to extend the maturity of a $15,000 credit agreement until June 27, 2002. The loan is guaranteed by the Company, with quarterly interest payments at an average annual interest rate of three-month LIBOR plus 2.0% and principal payable upon maturity.

(8) SHARE REPURCHASE PROGRAM

On December 9, 1999, the Board of Directors authorized a $100,000 share repurchase program of the Company's Class A Common Stock (the "Share Repurchase Program"). On July 20, 2001, the Board of Directors authorized a $25,000 increase to the Share Repurchase Program. The shares may be purchased in the open market or in privately negotiated transactions, depending on market conditions and other factors. The Company repurchased

3,405,757 shares amounting to $64,483 at an average price per share of $18.93 during the first half of 2001. From the beginning of the program in December 1999 to June 30, 2001, the Company has repurchased 4,559,636 shares for a total amount of $85,726 at an average price per share of $18.80.

(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:

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Numerator:				
Net income (loss)	$ 40,242	$ 11,524	$ 61,563	$(59,978)
Denominator (in thousands):				
Denominator for basic earnings (loss) per share	126,917	128,733	127,609	128,938
Effect of dilutive securities:				
Options to purchase common stock	1,327	213	1,139	-
Denominator for diluted earnings (loss) per share	128,244	128,946	128,748	128,938
Earnings (loss) per share:				
Basic	$ 0.32	$ 0.09	$ 0.48	$ (0.47)

Diluted	$ 0.31	$ 0.09	$ 0.48	$ (0.47)
Anti-dilutive securities not included in the diluted earnings (loss) per share calculation:				
Options to purchase common stock (in thousands):	2,045	2,764	2,063	5,304
Exercise prices:	$ 19.62 to $ 29.93	$ 17.50 to $ 29.93	$ 18.30 to $ 29.93	$ 13.75 to $ 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 and six months ended June 30, 2001 and 2000 is as follows:

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Net income (loss)	$ 40,242	$ 11,524	$ 61,563	$(59,978)
Other comprehensive income (loss):				
Foreign currency translation	5,443	(31,444)	(14,972)	(22,891)
Unrealized holding loss on derivative financial instruments	(275)	-	(7,694)	-
	$ 45,410	$(19,920)	$ 38,897	$(82,869)

(11) SEGMENTS AND RELATED INFORMATION

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

	SIX MONTHS ENDED JUNE 30, 2001					
	MEXICO & CENTRAL AMERICA	BRAZIL	COLUMBIA	VENEZUELA	CORPORATE	TOTAL
Net sales	$ 631,905	$ 227,433	$ 184,315	$ 275,810	$ -	$ 1,319,46
Operating income (loss)	$ 116,425	$ 10,077	$ 9,852	$ 19,866	$ (12,030)	$ 144,19
Interest income	$ 5,237	$ 663	$ 2,273	$ 18	$ 5,559	$ 13,75
Interest expense	$ (10,328)	(1,424)	$ (6,468)	$ (12,522)	$ (30,331)	(61,07
Depreciation and amortization	$ 43,086	$ 11,274	$ 28,019	$ 30,420	$ 10,013	$ 122,81
Capital expenditures	$ 26,353	$ 2,679	$ 3,017	$ 5,007	$ 8	$ 37,06
	JUNE 30, 2001					
Long-lived assets	$ 687,287	$ 198,959	$ 338,324	$ 368,049	$ 672,277	$ 2,264,89
Total assets	$ 846,083	$ 354,106	$ 395,019	$ 427,776	$ 839,124	$ 2,862,10

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

SIX MONTHS ENDED JUNE 30, 2001

MEXICO &
CENTRAL

	AMERICA	BRAZIL	COLUMBIA	VENEZUELA	CORPORATE	TOTAL
Net sales	$ 579,526	$ 244,460	$ 185,440	$ 239,816	$ -	$ 1,249,24
Operating income (loss)	$ 72,745	$ 1,348	$ (9,205)	$ (27,550)	$ (18,697)	$ 18,64
Interest income	$ 4,609	$ 973	$ 1,938	$ 1	$ 8,274	$ 15,79
Interest expense	$ (12,519)	$ (8,193)	$ (3,831)	$ (10,970)	$ (35,423)	$ (70,93
Depreciation and amortization	$ 36,021	$ 14,750	$ 29,828	$ 38,067	$ 14,601	$ 133,26
Capital expenditures	$ 44,571	$ 2,262	$ 3,950	$ 15,514	$ -	$ 66,29
			December 31, 2000			
Long-lived assets	$ 566,724	$ 283,734	$ 428,152	$ 420,992	$1,273,013	$ 2,972,61
Total assets	$ 721,712	$ 456,921	$ 479,880	$ 481,082	$1,329,394	$ 3,468,98

(12) SUBSEQUENT EVENT

On July 20, 2001, a labor union and several individuals from the Republic of Colombia filed a lawsuit in the U.S. District Court for the Southern District of Florida against the Company (and certain of its subsidiaries) as well as The Coca-Cola Company (and certain of its subsidiaries) and another Coca-Cola bottler in Colombia. In the complaint, the plaintiffs have alleged that the Company has engaged in wrongful acts against the labor union and its members in Colombia, including kidnapping, torture, death threats and intimidation. The complaint alleges claims under the Alien Tort Claims Act, the Torture Victim Protection Act, RICO and state tort law and seeks injunctive and declaratory relief and damages of more than $500,000, including treble and punitive damages and the cost of the suit, including attorney fees. The Company believes this lawsuit is without merit and intends to vigorously defend itself against this lawsuit.

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

The statements of operations data for Panamco Mexico & Central America (Costa Rica, Nicaragua and Guatemala), Panamco Brasil, Panamco Colombia, and Panamco Venezuela, 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 & Central America (Costa Rica, Nicaragua and Guatemala), Panamco Brasil, Panamco Colombia, and Panamco Venezuela, 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 & CENTRAL AMERICA
(Stated in thousands of U.S. dollars)
(Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDE JUNE 30,	
	2001	2000	2001	2000
SELECTED STATEMENTS OF OPERATIONS DATA:				
Net sales	$ 341,335	$ 307,465	$ 631,905	$ 579
Cost of sales, excluding depreciation and amortization	143,805	136,403	271,124	261
Gross profit	197,530	171,062	360,781	317
Operating expenses:				
Selling, general and administrative	102,394	95,967	201,270	189
Depreciation and amortization	22,924	17,975	41,902	34
Amortization of goodwill	604	794	1,184	1
Facilities reorganization charges	-	-	-	19
	125,922	114,736	244,356	244
Operating income	71,608	56,326	116,425	72
Interest expense, net	(2,885)	(3,090)	(5,091)	(7
Other income (expense), net	(1,361)	2,395	(420)	
Income before income taxes	67,362	55,631	110,914	65
Provision for income taxes	20,609	17,814	34,671	20

Income before minority interest	46,753	37,817	76,243	45
Minority interest in Panamco Mexico subsidiaries	1,513	1,221	2,419	1
Net income attributable to Panamco Mexico holding company & Central America	45,240	36,596	73,824	43
Minority interest in Panamco Mexico holding company	716	578	1,145	
Net income attributable to Panamco	$ 44,524	$ 36,018	$ 72,679	$ 43
Cash operating profit	$ 95,136	$ 75,095	$ 159,511	$ 119
UNIT CASE SALES DATA (IN MILLIONS):				
Soft drinks	90.9	93.0	172.2	1
Water	47.3	45.2	87.3	
Other products	1.1	1.0	2.0	

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS E JUNE 30,
	2001	2000	2001
SELECTED STATEMENTS OF OPERATIONS DATA:			
Net sales:			
Mexico	$ 281,883	$ 251,007	$ 516,071
Central America	59,452	56,458	115,834
UNIT CASE SALES DATA (IN MILLIONS):			
Mexico:			

Soft drinks	72.9	75.3	137.7
Water	46.5	44.5	85.7
Other products	0.7	0.8	1.3
Central America:			
Soft drinks	18.0	17.7	34.5
Water	0.8	0.7	1.6
Other products	0.4	0.2	0.7

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTH JUNE
	2001	2000	2001
SELECTED STATEMENTS OF OPERATIONS DATA:			
Net sales	$ 98,987	$ 116,743	$ 227,433
Cost of sales, excluding depreciation and amortization	64,133	70,482	146,349
Gross profit	34,854	46,261	81,084
Operating expenses:			
Selling, general and administrative	27,000	34,250	59,733
Depreciation and amortization	4,418	6,864	10,073
Amortization of goodwill	562	512	1,201
Facilities reorganization charges	-	-	-
	31,980	41,626	71,007
Operating income	2,874	4,635	10,077
Interest expense, net	(601)	(3,784)	(761)
Other expense, net	(1,495)	(3,653)	(6,131)
Income (loss) before income taxes	778	(2,802)	3,185
Benefit from income taxes	(692)	(2,717)	(938)
Income (loss) before minority interest	1,470	(85)	4,123
Minority interest in Panamco Brasil holding company	9	(5)	31
Net income (loss) attributable			

to Panamco	$ 1,461	$ (80)	$ 4,092
Cash operating profit	$ 7,854	$ 12,011	$ 21,351
UNIT CASE SALES DATA (IN MILLIONS):			
Soft drinks	56.9	54.1	124.9
Water	3.4	3.0	8.5
Beer	15.8	13.8	32.9
Other products	0.1	-	0.1

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

	THREE MONTHS ENDED JUNE 30,		SIX MONT JUNE
	2001	2000	2001
SELECTED STATEMENTS OF OPERATIONS DATA:			
Net sales	$ 89,415	$ 93,555	$ 184,315
Cost of sales, excluding depreciation and amortization	43,180	38,992	86,027
Gross profit	46,235	54,563	98,288
Operating expenses:			
Selling, general and administrative	29,648	32,557	60,417
Depreciation and amortization	13,828	15,046	27,880
Amortization of goodwill	69	-	139
Facilities reorganization charges	-	-	-
	43,545	47,603	88,436
Operating income (loss)	2,690	6,960	9,852
Interest expense, net	(3,463)	(130)	(4,195)
Other income (expense), net	193	(3,138)	389
Income (loss) before income taxes	(580)	3,692	6,046
Provision (benefit) for income taxes	(170)	923	1,785
Income (loss) before minority			

interest	(410)	2,769	4,261
Minority interest in Panamco Colombia subsidiaries holding company	4	10	54
Net income (loss) attributable to Panamco Colombia holding company	(414)	2,759	4,207
Minority interest in Panamco Colombia	(11)	74	116
Net income (loss) attributable to Panamco	$ (403)	$ 2,685	$ 4,091
Cash operating profit	$ 16,587	$ 22,006	$ 37,871
UNIT CASE SALES DATA (IN MILLIONS):			
Soft drinks	37.7	37.0	75.4
Water	8.7	8.6	19.0
Other products	0.3	-	0.3

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

	THREE MONTHS ENDED JUNE 30,		SIX MON JUNE
	2001	2000	2001
SELECTED STATEMENTS OF OPERATIONS DATA:			
Net sales	$ 141,697	$123,340	$ 275,810
Cost of sales, excluding depreciation and amortization	69,413	55,419	133,294
Gross profit	72,284	67,921	142,516
Operating expenses:			
Selling, general and administrative	46,423	45,469	92,230
Depreciation and amortization	15,088	18,948	30,420
Facilities reorganization charges	-	-	-
	61,511	64,417	122,650

Operating income (loss)	10,773	3,504	19,866
Interest expense, net	(4,379)	(5,122)	(12,504)
Other income (expense), net	1,761	247	5,322
Income (loss) before income taxes	8,155	(1,371)	12,684
Benefit from income taxes	(6,456)	(244)	(8,729)
Net income (loss) attributable to Panamco	$ 14,611	$ (1,127)	$ 21,413
Cash operating profit	$ 25,861	$ 22,452	$ 50,286
UNIT CASE SALES DATA (IN MILLIONS):			
Soft drinks	38.6	37.2	76.5
Water	6.4	5.4	12.4
Beer	1.0	0.3	2.0
Other products	1.5	1.5	3.1

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 June 30, 2001 and December 31, 2000 and for the three and six months ended June 30, 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 were previously reported together in the financial statements entitled Panamco Central America.

In February 1999, we formed the North Latin American Division ("NOLAD"), which consists of Panamco Mexico and Panamco Central America. The results of operations of Panamco Mexico and Panamco Central America are reported together in the financial statements entitled Panamco Mexico & Central America.

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 JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

Net sales for the second quarter ended June 30, 2001 increased 4.7% to $671.4 million from $641.1 million in the 2000 second quarter, mainly due to an increase of 3.2% in consolidated unit case sales volume. Total unit case sales increased to 309.8 million cases from 300.2 million unit cases in the 2000 period. Total volume growth of 3.2% was led by Brazil and Venezuela, where total volume increased 7.4% and 7.0%, respectively, and soft drink volume increased 5.1% and 3.7%, respectively. Colombia reported total volume growth of 2.3% and soft drink volume growth of 1.8%. The NOLAD region had total volume growth of 0.1% while soft drink volume declined 2.4%. Consolidated water and beer volumes grew by 5.9% and 18.5%, respectively.

Cost of sales as a percentage of net sales increased to 47.4% during the second quarter of 2001 from 46.9% in the 2000 period. This increase resulted from higher costs of raw materials offset by the benefits created by our cost restructuring programs.

Gross profit as a percentage of net sales decreased to 52.6% during the second quarter of 2001 from 53.1% in the second quarter of 2000, primarily the result of higher raw material prices and currency devaluation in Brazil, Colombia and Venezuela.

Operating expenses as a percentage of net sales decreased to 40.5% during the second quarter of 2001 from 43.4% in the 2000 period, mainly as a result of the initial benefits of the reorganization program. Included in operating expenses for the second quarter of 2001 is a $4.5 million executive compensation expense resulting from the vesting of restricted stock.

Operating income increased 31.4% to $81.5 million during the second quarter of 2001 from $62.0 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 11.3% to $144.1 million in 2001 from $129.5 million in the second quarter of 2000.

Net interest expense decreased to $23.7 million during the second quarter of 2001 from $25.8 million in the 2000 period, primarily as a result of net debt (total indebtedness less cash and equivalents) reduction of $78.2 million for the quarter and $286.5 million from the 2000 second quarter.

Other expense, net decreased to $1.8 million during the second quarter of 2001 from $4.1 million in the 2000 period, primarily caused by an increase in equity earnings of affiliates, a decrease in contingency provisions, a gain in sale of investments, offset by an increase in foreign exchange losses mainly in Brazil.

The consolidated effective income tax rate decreased to 25.8% during the second quarter of 2001 from 58.4% in the 2000 period. We have 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, we recorded net income of $40.2 million during the second quarter of 2001, or $0.32 per basic share ($0.31 on a diluted basis), compared to net income of $11.5 million, or $0.09 per share (basic and diluted), during the 2000 period.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

Net sales for the six months ended June 30, 2001 increased 5.6% to $1.32 billion from $1.25 billion in the first half of 2000, mainly due to an increase of 3.9% in consolidated unit case sales volume. Total unit case sales increased to 616.8 million cases from 593.3 million unit cases in the 2000 period. Total volume growth of 3.9% was led by Brazil and Venezuela, where total volume increased 9.4% and 7.8%, respectively, and soft drink volume increased 8.4% and 4.5%, respectively. Colombia reported total volume growth of 2.1% while soft drink volume declined 0.7%. The NOLAD region had total volume growth of 0.1% while soft drink volume declined 2.7%. Consolidated water and beer volumes grew by 9.0% and 13.6%, respectively.

Cost of sales as a percentage of net sales increased to 48.1% during the first half of 2001 from 47.9% in the 2000 period. This increase resulted from higher costs of raw materials offset by the benefits created by our cost restructuring programs.

Gross profit as a percentage of net sales decreased to 51.9% during the first half of 2001 from 52.1% in the 2000 period, primarily the result of higher raw material prices and currency devaluation in Brazil, Colombia and

Venezuela.

The following comments reflect the consolidated results of operations excluding the recording of facilities reorganization charges, asset write-offs, and nonoperating charges totaling $61.9 million, net of the related tax benefit of $23.5 million, during the first half of 2000:

Operating expenses as a percentage of net sales decreased to 41.0% during the first half of 2001 from 44.2% in the 2000 period, mainly the result of the benefits obtained from our cost restructuring programs. Included in operating expenses for the second half of 2001 is a $4.5 million executive compensation expense resulting from the vesting of restricted stock.

Operating income increased 46.4% to $144.2 million during the first half of 2001 from $98.5 million in the 2000 period, primarily the result of increased sales and volume as well as the benefits of the reorganization program. Cash operating profit increased 15.2% to $267.0 million in 2001 from $231.8 million in the first half of 2000.

Net interest expense decreased to $47.3 million during the first half of 2001 from $55.1 million in the 2000 period, primarily the result of net debt (total indebtedness less cash and

equivalents) reduction of $174.4 million for the six months of 2001 and $286.5 million from the 2000 period.

Other expense, net decreased to $3.9 million during the first half of 2001 from $6.9 million in the 2000 period, primarily caused by a gain in sale of investments, an increase in equity earnings of affiliates, a decrease in contingency provisions, offset by an increase in foreign exchange losses mainly in Brazil.

The consolidated effective income tax rate decreased to 30.6% during the first half of 2001 from 90.4% in the 2000 period. We have 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, we recorded net income of $61.6 million during the first half of 2001, or $0.48 per share (basic and diluted), compared to net income of $1.9 million, or $0.01 per share (basic and diluted), during the 2000 period.

FACILITIES REORGANIZATION CHARGES

During the first quarter of 2000, we began a company-wide reorganization program designed to improve productivity and strengthen our 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 Panamco.

During the fourth quarter of 2000, we performed an analysis of our growth opportunities, cost structure and asset valuation. This resulted in several new steps to further position Panamco 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 property, plant and equipment, bottles and cases, and asset write-downs related to coolers.

During the year ended December 31, 2000, we 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.

(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:

- $11.0 million from an increase in provision related to changing the useful lives of coolers; and

- $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, our 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:

(STATED IN THOUSANDS OF U.S. DOLLARS)	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 June 30, 2001, we had completed approximately 71% 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 our Annual Report on Form 10-K for the year ended December 31, 2000.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2001, we had consolidated cash and cash equivalents of $266.3 million, an increase of 38.9% compared to $191.8 million as of December 31, 2000, mainly as a result of the release of investments in bank deposits for $125.0 million, which guaranteed bank loans obtained by subsidiaries and were therefore classified as noncurrent investments.

Consolidated cash flow provided by operations was $187.9 million and $125.5 million for the six months ended June 30, 2001 and 2000, respectively. Cash generated by the operations and available is sufficient to meet our current obligations.

Total consolidated indebtedness was $1,153.9 million as of June 30, 2001, consisting of $725.0 million at the holding company level and $428.9 million of subsidiary indebtedness. As of June 30, 2001, 82.2% of the total debt is dollar denominated and 89.5% is long-term.

On December 31, 2000, we had a loan with The 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, we prepaid the remaining outstanding debt with The 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 $100.0 million share repurchase program of the Company's Class A Common Stock (the "Share Repurchase Program"). On July 20, 2001, the Board of Directors authorized a $25.0 million increase to the Share Repurchase Program. The shares may be purchased in the open market or in privately negotiated transactions, depending on market conditions and other factors. We repurchased 3,405,757 shares amounting to $64.5 million at an average price per share of $18.93 during the first half of 2001. From the beginning of the program in December 1999 to June 30, 2001, we have repurchased 4,559,636 shares for a total amount of $85.7 million at an average price per share of $18.80.

Total capital expenditures for the six months ended June 30, 2001 were $37.9 million, showing a spending reduction of 42.8%, compared to $66.3 million for the six months ended June 30, 2000. For the year 2001, we expect our capital expenditures to be approximately $90.0 million.

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, we entered into a swap agreement where we receive LIBOR at specified measurement dates and pay 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.

On April 20, 2001, our Brazilian subsidiary entered into four swap agreements to exchange dollar denominated debt amounting to $30.0 million in the aggregate. The terms of the swap agreements are as follows: R2,109,870 (Brazilian reals) maturing on October 16, 2001; R32,753,046 maturing on April 15, 2002; R994,334 maturing on October 11, 2002; and R29,788,731 maturing on April 9, 2003. All four swap agreements have an interest rate of 90% of CDI (the Brazilian borrowing rate). The swap agreements, which are classified as fair value hedges, were initiated in order to reduce exposure to adverse currency exchange fluctuations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposure to market risk during the six months ended June 30, 2001. For a discussion of our exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in our Annual Report on Form 10-K for the year ended December 31, 2000.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On July 20, 2001, a labor union and several individuals from the Republic of Colombia filed a lawsuit in the U.S. District Court for the Southern District of Florida against us (and certain of our subsidiaries) as well as The Coca-Cola Company (and certain of its subsidiaries) and another Coca-Cola bottler in Colombia. In the complaint, the plaintiffs have alleged that we have engaged in wrongful acts against the labor union and its members in Colombia, including kidnapping, torture, death threats and intimidation. The complaint alleges claims under the Alien Tort Claims Act, the Torture Victim Protection Act, RICO and state tort law and seeks injunctive and declaratory relief and damages of more than $500 million, including treble and punitive damages and the cost of the suit, including attorney fees. We believe this lawsuit is without merit and intend to vigorously defend ourselves in this matter.

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

We held our ordinary shareholders meeting on May 4, 2001. At the meeting, shareholders representing 8,329,399 Class B common stock $0.01 par value shares of the Company or 94.8% of the Class B shares: (i) unanimously approved the election of William G. Cooling, Alejandro Jimenez, Wade T. Mitchell and Stuart Staton as directors of the Company until 2004, (ii) unanimously approved the Company's financial statements for the fiscal year 2000, (iii) unanimously ratified Arthur Andersen L.L.P. as independent auditors of the Company, and (iv) by the favorable vote of 99.8% of the

shares represented at the meeting, approved an increase in the number of shares available under our Equity Incentive Plan from 9,000,000 to 14,200,000.

ITEM 5. OTHER INFORMATION

Our Equity Incentive Plan, as discussed in our Annual Report on Form 10-K for the year ended December 31, 2000, includes reference to incentive stock options and restricted stock issued to Messrs. Cooling and Schimberg. These incentive stock options and restricted stock were not granted pursuant to our Equity Incentive Plan but pursuant to their employment agreements. We granted 400,000 and 300,000 restricted stock to Messrs. Cooling and Schimberg, respectively, and not 350,000 and 250,000 restricted stock as stated in our Annual Report on Form 10-K for the year ended December 31, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits:

10.1 - Term Credit Agreement dated as of May 30, 2001, by and among Panamco de Venezuela, S.A., as borrower, Comerica Bank, as lender, and the Company, as guarantor.

10.2 - Credit Agreement dated as of June 1, 2001, by and among Spal Industria Brasileira de Bebidas, S.A., as borrower, Citibank, N.A., as lender, and the Company, as guarantor.

10.3 - Amendment and Waiver No. 2 to the Credit Agreement dated as of June 4, 2001, by and among Panamco de Venezuela, S.A., as borrower, Inarco International Bank, N.A., as lender, and the Company, as guarantor.

10.4 - Guaranteed Promissory Note dated as of June 5, 2001, by and among Panamco de Venezuela, S.A., as borrower, Banco Santander Hispano, S.A., as lender, and the Company, as guarantor.

10.5 - Fifth Amendment to Loan Agreement dated as of June 27, 2001, by and among Panamco de Venezuela, S.A., as borrower, Bank Boston, N.A., as lender, and the Company, as guarantor.

(b) Reports on Forms 8-K - On June 29, 2001, we filed a current report on Form 8-K with respect to Regulation FD disclosure under Item 9. The date of this report was May 21, 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.

August 14, 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)