PANAMERICAN BEVERAGES INC
Form 10-K
April 02, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

[ ] 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Class A Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definite proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ].

The aggregate market value of the voting and non-voting stock common stock

held by non-affiliates of the registrant was $2,038,757,633 (computed by reference to the closing price as of March 26, 2001).

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 March 26, 2001 were:

Class A Common Stock:	119,002,164
Class B Common Stock:	8,888,432
Class C Preferred Stock:	2

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PART I

ITEM 1. BUSINESS

OVERVIEW

Panamerican Beverages, Inc. ("Panamco" or the "Company") is the largest soft drink bottler in Latin America and one of the world's largest bottlers of the soft drink products of The Coca-Cola Company ("The Coca-Cola Company" or "Coca-Cola"). In 2000, our sales accounted for approximately 5% of the worldwide unit case volume of soft drink sales of The Coca-Cola Company, or the equivalent of one bottle in every case. Our 2000 sales represented approximately 21% of the Latin American unit case volume of The Coca-Cola Company's soft drink products. Sales of products of The Coca-Cola Company accounted for approximately 89% of our net sales in 2000.

We have almost a 60-year bottling relationship with The Coca-Cola Company. On November 1, 1995, The Coca-Cola Company designated Panamco an "anchor bottler", making us one of their strategic partners in The Coca-Cola Company's worldwide bottling system. The Coca-Cola Company has been a stockholder of our company since 1993 and today beneficially owns approximately 24% of our common stock. The Coca-Cola Company has two representatives on our Board of Directors.

We operate in diverse markets in Latin America. We operate in:

- Mexico
  A substantial part of central Mexico (excluding Mexico City),
- Brazil
  Greater Sao Paulo, Campinas, Santos and part of Mato Grosso do Sul in Brazil,
- Colombia
  Most of the Country,
- Costa Rica
  All of the Country,
- Venezuela
  All of the Country,
- Nicaragua
  All of the Country, and
- Guatemala
  Guatemala City and surrounding areas.

These territories have an aggregate population of approximately 122 million people, or about 24% of the total population of Latin America. Within these territories, we have the exclusive right to produce and distribute substantially all of The Coca-Cola Company's soft drink products. We also produce and distribute a variety of flavored soft drinks and bottled water products under licensed and proprietary trademarks in select territories, including Canada Dry products in Costa Rica and Schweppes products in

Venezuela. We distribute Kaiser and Heineken beers in our franchise territories in Brazil. We also have the right to distribute Regional beer throughout most of Venezuela, which we began distributing in the northeast of Venezuela in early 1999.

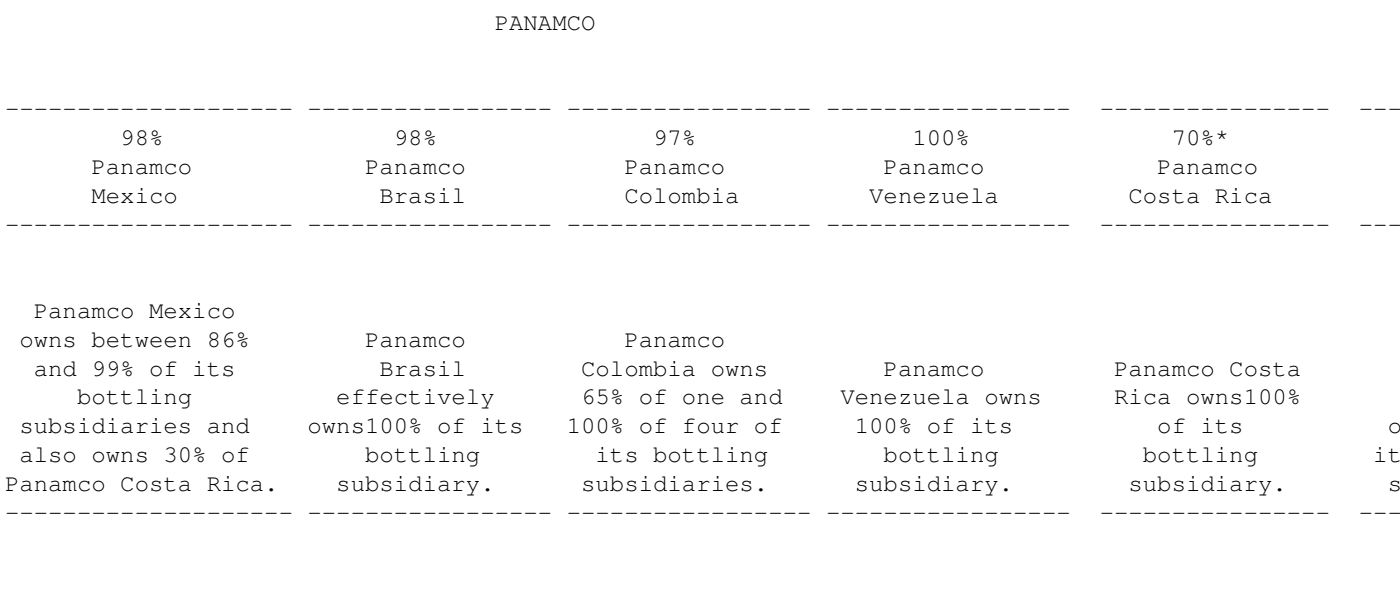
Our business began in 1941, when Albert H. Staton, Sr., and a group of investors acquired a core of the franchised bottling operations of The Coca-Cola Company in Mexico. We were incorporated in Panama in 1945 as successor to a Mexican company through which the business was initially conducted. By expanding into other Latin American markets, we have been able to diversify, in part, our business risk. In 1944 and 1945, we expanded our operations to Colombia and Brazil, respectively. In 1950, we acquired The Coca-Cola Company's bottling franchise for the Sao Paulo territory. Since then, our operating units have acquired additional bottling franchises within their respective countries. We entered the Costa Rican market in 1995, both the Venezuelan market and the Nicaraguan market in 1997 and the Guatemalan market in 1998.

At the end of the first quarter of 2000, we moved our principal executive offices from Mexico City to Miami, Florida.

CORPORATE STRUCTURE

HOLDING COMPANY STRUCTURE

We are a holding company and conduct our operations through tiers of subsidiaries. The following chart shows our corporate structure and ownership interest in our country level holding companies and describes their interests in their bottling subsidiaries as of December 31, 2000:



* Panamco Mexico owns 30% of Panamco Costa Rica.

As a holding company, our ability to pay operating expenses, any debt

service obligations and dividends primarily depends upon receipt of sufficient funds from our majority-owned subsidiaries, which are in turn dependent upon receipt of funds from their majority-owned subsidiaries. See "Item 5. -- Market for Registrant's Common Equity and Related Stockholder Matters -- Exchange Controls and Other Limitations Affecting Security Holders" for a discussion of limitations imposed by exchange control laws on the payment of dividends. At present, Mexico (since the beginning of 1999) and Costa Rica impose withholding taxes of approximately 7.6% and 15%, respectively, on dividends paid to us by domestic subsidiaries. In addition, Brazil imposes a basic withholding tax of 15% on dividends paid to us by domestic subsidiaries that are derived from earnings generated prior to January 1, 1996. The payment of dividends by our subsidiaries is also subject in certain instances to statutory restrictions or restrictive covenants in debt instruments and is contingent upon the earnings and cash flow of, and permitted borrowings by, such subsidiaries. In addition,

the minority shareholders in less than wholly owned subsidiaries receive a pro rata portion of all dividends paid by those subsidiaries.

SUBSIDIARY OPERATIONS

MEXICO

We own approximately 98% of the capital stock of Panamco Mexico, S.A. de C.V. ("Panamco Mexico"), a Mexican corporation that in turn owns interests ranging from 86% to 99% in five bottling subsidiaries that own and operate eight soft drink bottling plants and two water bottling plants in Mexico. Panamco Mexico also owns majority and minority interests in companies that produce materials and equipment used in the production and distribution of soft drinks. Panamco Mexico and its consolidated subsidiaries are collectively referred to herein as "Panamco Mexico". In December 2000, Panamco Mexico acquired 29% of the capital stock of Embotelladora Panamco Costa Rica, S.A. ("Panamco Costa Rica"). Panamco Costa Rica produces, distributes and sells The Coca-Cola Company's products and distributes and sells Canada Dry products in Costa Rica. Panamco Costa Rica owns and operates one bottling plant. Panamco Costa Rica also owns a plastics business.

BRAZIL

We indirectly own approximately 98% of the capital stock of Refrescos do Brasil S.A. ("Panamco Brasil"), a Brazilian holding company that through subsidiaries owns a bottling subsidiary that, in turn, owns and operates two bottling plants in Brazil, including our state-of-the-art facility in Jundiai and owns an 11.6% interest in the Kaiser beer brewery. In order to compete more aggressively with Antarctica and Brahma, in 1983 The Coca-Cola Company, together with Panamco Brasil, other Brazilian bottlers of products of The Coca-Cola Company and the Heineken Beer Company, established Cervejarias Kaiser, S.A. ("Kaiser"). Between 1995 and 1998 Panamco Brasil increased its interest in Kaiser to 11.6% in connection with its acquisition of all of the capital stock of Refrigerantes de Santos, S.A. ("Santos") and the shares of Kaiser owned by Santos. Panamco Brasil also has facilities that produce equipment used in the distribution of soft drinks. In September 1998, we acquired all the capital stock of the Brazilian bottler, Refrigerantes do Oeste S.A. ("R.O.S.A."). R.O.S.A. produces, distributes and sells The Coca-Cola Company's products in the western central part of Brazil in the state of Matto Grosso do Sul. Panamco Brasil and its consolidated subsidiaries are collectively referred to herein as "Panamco Brasil".

COLOMBIA

We own approximately 97% of the capital stock of Panamco Colombia, S.A. ("Panamco Colombia"), a Colombian corporation that owns interests ranging from 65% to 100% in subsidiaries that own and operate an aggregate of 18 bottling plants and own majority and minority interests in corporations that produce materials and equipment used in the production and distribution of soft drinks such as Friomix del Cauca, a cold equipment building company. Panamco Colombia and its consolidated subsidiaries are collectively referred to herein as "Panamco Colombia".

VENEZUELA

In May 1997, we acquired all the capital stock of Embotelladora Coca-Cola y Hit de Venezuela S.A. ("Panamco Venezuela") (the "Venezuela Acquisition"). Panamco Venezuela, through its subsidiaries (the "Venezuelan Bottlers"), produces, distributes and sells products of The Coca-Cola Company and other soft drink products throughout Venezuela. Panamco Venezuela owns and operates 13 bottling plants. We also acquired the right to distribute Regional beer throughout Venezuela, which we began distributing in the northeast of Venezuela in 1999. Panamco Venezuela and the Venezuelan Bottlers are collectively referred to herein as "Panamco Venezuela".

CENTRAL AMERICA

Costa Rica. We own all the capital stock (71% directly and 29% indirectly through Panamco Mexico) of Embotelladora Panamco Costa Rica, S.A. ("Panamco Costa Rica"). Panamco Costa Rica produces, distributes and sells The Coca-Cola Company's products and distributes and sells Canada Dry products in Costa Rica. Panamco Costa Rica owns and operates one bottling plant. Panamco Costa Rica also owns a plastics business. We acquired these operations in 1995 and 1996.

Nicaragua. In August 1997, we acquired all the capital stock of Embotelladora Milca, S.A. ("Panamco Nicaragua"). Panamco Nicaragua produces, distributes and sells The Coca-Cola Company's products, and other soft drink products, throughout Nicaragua.

Guatemala. In March 1998, we acquired all the capital of Embotelladora Central, S.A. ("Panamco Guatemala"). Panamco Guatemala produces, distributes and sells The Coca-Cola Company's products, and other soft drink products in Guatemala City and surrounding areas.

Panamco Costa Rica, Panamco Nicaragua and Panamco Guatemala are collectively referred to as "Panamco Central America".

OUR FRANCHISE TERRITORIES

We have exclusive rights under our bottling agreements with The Coca-Cola Company to bottle and distribute soft drinks and water in all of the territories in which we operate. We market all our other soft drink, bottled water, beer products and other beverages only within our franchise territories. The countries where we operate and our franchise territories are shown below:

[MAP OMITTED]

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MEXICO

Our Mexican territories consist of the states of Guanajuato, Puebla, Tlaxcala, Michoacan and most of Veracruz, an area which has an aggregate population of more than 19 million people, or about 19% of the total population of the country.

BRAZIL

Our Brazilian territories, with a population of approximately 27 million people or about 16% of the total population of the country, consist of greater Sao Paulo, the third largest metropolitan area in the world, the contiguous area of greater Campinas, the adjacent coastal areas of Santos, and Mato Grosso do Sul.

COLOMBIA

Our Colombian territory covers approximately 94% of the population of that country with a population of approximately 40 million people, and includes all major cities.

VENEZUELA

We are the only company with the right to distribute The Coca-Cola Company's products in Venezuela, which has a population of about 23 million people.

CENTRAL AMERICA

We are the only company that has the right to distribute The Coca-Cola Company's products in Costa Rica, with a population of approximately 3.8 million people, and in Nicaragua with a population of approximately 4.8 million people. Our Guatemalan territory, which has a population of about 5.4 million people, covers 47% of the population of that country, which includes Guatemala City.

BEVERAGES AND PACKAGING

OUR PRODUCTS

We produce or distribute colas, flavored soft drinks, non carbonated flavored drinks, bottled drinking water and beer. We produce and distribute Coca-Cola products and our own proprietary brands. In 2000, 88.8% of the products we sold were products of The Coca-Cola Company.

We distribute two types of bottled water products: purified water and mineral water. Purified water is prepared in a similar manner to the water utilized in the soft drink manufacturing process. Mineral water is obtained from springs and wells. We distribute mineral water under our own proprietary trademarks, which include Risco in Mexico, Manantial in Colombia, Crystal in Brazil and Shangri-la in Guatemala, and we distribute purified water under the trademarks Risco in Mexico, Club K, Santa Clara and Soda Clausen in Colombia,

Nevada in Venezuela, Alpina in Costa Rica and Milca Soda in Nicaragua.

In Brazil we distribute both Kaiser and Heineken beers and in Venezuela the Regional trademark.

Proprietary Trademarks. We produce and distribute flavored soft drinks under our own proprietary trademarks, including "Club K", "Club Soda" and "Premio" in Colombia and "Super 12" in Costa Rica. We produce and distribute bottled waters under our own proprietary trademarks including "Risco" in Mexico, "Crystal" in Brazil, "Manantial", "Premio", "Soda Clausen" and "Santa Clara" in Colombia, "Alpina" in Costa Rica and "Shangri-la" in Guatemala.

The beverage products we produce or distribute and that accounted for nearly all of our sales in the period ending December 31, 2000 are listed below:

PANAMCO MEXICO	PANAMCO BRASIL	PANAMCO COLOMBIA	PANAMCO VENEZUELA	PANAMCO COSTA RICA	PANAMCO
COCA-COLA SOFT DRINK PRODUCTS:	COCA-COLA SOFT DRINK PRODUCTS:	COCA-COLA SOFT DRINK PRODUCTS:	COCA-COLA SOFT DRINK PRODUCTS:	COCA-COLA SOFT DRINK PRODUCTS:	COCA-COL DRINK PR
Coca-Cola	Coca-Cola	Coca-Cola	Coca-Cola	Coca-Cola	Coca-Col
Coca-Cola Light	Coca-Cola Light	Coca-Cola Light	Coca-Cola Light	Coca-Cola Light	Coca-Col
Sprite	Sprite	Sprite	Hit Naranja	Sprite	Sprite
Sprite Light	Diet Sprite	Fanta	Hit Pina	Fanta	Fanta
Fanta Orange	Fanta	Quatro	Hit Uva	Fresca	Fresca
Fanta Strawberry	Diet Fanta	Lift	Hit Manzana	Lift	
Fresca	Simba		Hit Kola		BOTTLED
Lift	Tai	OTHER SOFT DRINKS:	Hit Parchita	OTHER SOFT DRINKS:	Kinley S
Delaware Punch	Diet Tai	Roman**	Grapette Uva	Canada Dry Ginger Ale**	Canada D
	Kuat	Premio*	Grapette Kola	Super 12*	Club Al
BOTTLED WATER:	Kinley Tonic Water	Club Soda*	Grapete Naranja		
Risco*	Kinley Club Soda		Grapete Pina		OTHER PR
	Fanta Uva	BOTTLED WATER:	Quatro	BOTTLED WATER:	Hi-C
OTHER PRODUCTS:		Manantial*	Frescolita	Canada Dry Club Soda**	Kapo
Keloco*	BOTTLED WATER:	Club K*	Chinotto		
Beat	Crystal*	Soda Clausen*	Chinotto Light	Canada Dry Quinada**	
		Santa Clara*		Alpina*	
	BEER:		OTHER SOFT DRINKS:		
	Kaiser**		Soda Schweppes**	OTHER PRODUCTS:	
	Kaiser Light**		Aguakina	Powerade	
	Kaiser Bock**		Schweppes**		
	Kaiser Gold**				
	Kaiser Summer Draft**		BOTTLED WATER: Nevada		
	Heineken**				
			OTHER PRODUCTS: Malta Regional**		
			Nestea**		
			BEER: Regional**		

Unless otherwise indicated, products are proprietary to The Coca-Cola Company.

* Proprietary to Panamco
** Products licensed from third parties

The following chart shows the allocation of our net sales during 2000 among the products described above:

[ ] Coca-Cola 61%
[ ] Other Coca-Cola Products 26%
[ ] Other Soft Drinks 2%
[ ] Bottled Water 7%
[ ] Beer 3%
[ ] Other Products 1%

[PIE CHART OMITTED]

The estimated annual per capita consumption for 2000, 1999 and 1998 for our soft drinks in each of our franchise territories is as follows:

	PANAMCO MEXICO	PANAMCO BRASIL	PANAMCO COLOMBIA	PANAMCO VENEZUELA	PANAMCO COSTA RICA	PANAMCO NICARAGUA	PANA GUATE
2000.....	369.0	207.0	91.0	154.0	174.0	112.0	86
1999.....	349.1	214.3	91.4	153.6	180.8	112.0	87
1998.....	340.4	213.5	113.0	202.3	186.6	112.1	79

Source: We have compiled the share of sales information contained herein based upon several sources. To determine the portion of a given market represented by our sales, we utilize, in certain instances, data supplied by A.C. Nielsen, The Coca-Cola Company and other third-party sources. In certain territories, we also periodically conduct our own surveys by sampling retail customers' weekly purchases and inventory levels. The methodologies of different surveys are not identical and referenced competitors' franchise areas do not exactly correspond to ours. Although management believes the information obtained in this fashion is reliable, we make no representation or warranty, express or implied, as to the accuracy or completeness of the industry sales share data and volume data, or per capita consumption data contained herein.

The following table shows our net sales in thousands of dollars and by percentage of total net sales by territory and product for the periods indicated:

	2000	1999

	TOTAL NET SALES (1)	PERCENTAGE OF TOTAL NET SALES	TOTAL NET SALES (1)	PERCENTAGE OF TOTAL NET SALES	TOTAL NET SALES (1)
Panamco Mexico					
Total products of The Coca-Cola Company	$ 872,336	33.6%	$ 718,980	29.8%	$ 586,964
Total other soft drinks	10,540	0.4	7,842	0.3	4,306
Total bottled water	91,970	3.5	68,350	2.8	47,211
Total Panamco Mexico	974,846	37.5	794,812	32.9	638,481

	2000		1999		
	TOTAL NET SALES (1)	PERCENTAGE OF TOTAL NET SALES	TOTAL NET SALES (1)	PERCENTAGE OF TOTAL NET SALES	TOTAL NET SALES (1)
Panamco Brasil (2)					
Total products of The Coca-Cola Company	403,098	15.5	389,449	16.1	653,73
Total bottled water	16,976	0.7	14,715	0.6	19,05
Total beer	76,414	2.9	96,519	4.0	225,16
Total Panamco Brasil	496,488	19.1	500,683	20.7	897,95
Panamco Colombia					
Total products of The Coca-Cola Company	332,354	12.8	337,333	13.9	422,07
Total other soft drinks	25,051	1.0	26,224	1.1	31,76
Total bottled water	29,315	1.1	33,457	1.4	41,97
Total Panamco Colombia	386,720	14.9	397,014	16.4	495,81
Panamco Venezuela					
Total products of The Coca-Cola Company	457,839	17.6	493,671	20.4	536,32
Total other soft drinks	24,340	0.9	16,051	0.7	14,35
Total beer	33,674	1.3	2,570	0.1	-
Total Panamco Venezuela	515,853	19.8	512,292	21.2	550,67
Panamco Central America (3)					
Total products of The Coca-Cola Company	203,401	7.8	193,102	8.0	173,67
Total other soft drinks	13,393	0.5	10,573	0.5	10,18
Total bottled water	8,708	0.4	8,399	0.3	6,50
Total Panamco Central America	225,504	8.7	212,074	8.8	190,35

Total consolidated net sales..	$2,599,411	100.0%	$2,415,817	100.0%	$2,773,27

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(1) Net sales are reflected in U.S. dollars translated at the average official rates of exchange during the periods shown.
(2) Data for 1998 includes four months of operations of R.O.S.A.
(3) Data for 1998 includes net sales of Panamco Costa Rica and Panamco Nicaragua and nine months of operations of Panamco Guatemala.

PACKAGING

A majority of our sales are made in returnable glass or plastic bottles. Recently, we have increased the distribution of nonreturnable presentations, particularly in Mexico and Brazil. In 2000, 48.9% of our products were packaged in nonreturnable presentations compared to 51.9% in 1999. See "Management's Discussion and Analysis of Financial Condition and Results of Operations". Our beverages are available in returnable presentations in different package types including returnable PET bottles and glass bottles. Our nonreturnable presentations include cans, nonreturnable glass and plastic bottles and plastic bags.

SOFT DRINK SALES SHARE

Soft drink sales represented 88.5% of our total 2000 sales. Soft drink products are classified as either colas or other flavored soft drinks. Of our total soft drink sales in 2000, the cola segment represented approximately 69.4% of our total soft drink sales.

SALES, DISTRIBUTION AND MARKETING

SALES

By selling our beverage products directly to 1,071,166 points of sale, we believe we have one of the largest operations for the distribution of consumer goods in Latin America. This network serves traditional small stores (including small grocery stores, kiosks and roadside stands), supermarkets, restaurants, bars, schools, businesses and distributors, with a total of 196,993 points of sale in Mexico, 147,562 in Brazil, 392,327 in Colombia, 208,237 in Venezuela, 34,278 in Costa Rica, 42,673 in Nicaragua and 49,096 in Guatemala as of December 31, 2000. The mix of sales to these particular types of outlets varies by country and is a function of the economics, demographics and other characteristics of each franchise area.

The following table sets forth our sales volume as a percentage of total sales volume of on- and off-premises consumption in each country where we operate as of the end of 2000.

	2000 PERCENTAGE OF TOTAL SALES VOLUME		2000 PERCENTAGE OF TOTAL SALES VOLUME
PANAMCO MEXICO		PANAMCO COSTA RICA	

Off-premises sales.....	78.0%
On premises sales.....	22.0%
Total.....	100.0%

PANAMCO BRASIL

Off-premises sales.....	81.5%
On premises sales.....	18.5%
Total.....	100.0%

PANAMCO COLOMBIA

Off-premises sales.....	47.8%
On premises sales.....	52.2%
Total.....	100.0%

PANAMCO VENEZUELA

Off-premises sales.....	67.3%
On premises sales.....	32.7%
Total.....	100.0%

Off-premises sales.....	71.0%
On premises sales.....	29.0%
Total.....	100.0%

PANAMCO NICARAGUA

Off-premises sales.....	88.9%
On premises sales.....	11.1%
Total.....	100.0%

PANAMCO GUATEMALA

Off-premises sales.....	13.4%
On premises sales.....	86.6%
Total.....	100.0%

Most of our sales are made to four types of outlets: Mom and Pop stores, supermarkets, restaurants and bars as well as schools and offices. At such outlets we generally sell soft drinks, bottled water and beer (in Brazil and the northeast of Venezuela) for either on-premises or off-premises consumption. A majority of the products we sell are sold through traditional small stores, supermarkets or other types of outlets for off-premises consumption. Products we sell for on-site consumption at traditional small stores, restaurants, bars, fast food outlets and similar locations represent the balance of our sales volume.

Consumers typically prefer soft drinks served cold for on-premises consumption. In certain cases, particularly in Mexico, consumers prefer to purchase cold soft drinks for off-premises consumption as well. As described below, in each of our franchise territories we have programs to place our beverage coolers, post-mix dispensers and vending machines at points of sale for our products to make chilled products available to the consumer. We loan or sell and provide financing for such merchandising equipment. Loaned equipment must be used exclusively for Panamco products.

In addition to bottled presentations, we sell soft drinks in both pre-mix and post-mix form. Soft drinks sold in pre-mix form consist of syrup for use in dispensers at retail outlets that add carbonated water. Soft drinks sold in post-mix form consist of the final carbonated product in stainless steel and other pressurized canisters for use in dispensers at retail outlets.

While most sales are on a cash basis, sales to certain customers such as major supermarkets, fast food restaurants and convenience store chains, are made on a credit basis with terms generally of 40 days on a consolidated basis. Credit sales represented approximately 20% of total sales in 2000 and

1999. Credit sales are most significant in Brazil and Costa Rica, where they represented 52.0% and 43.0%, respectively, of 2000 sales in each country.

DISTRIBUTION

We have developed extensive product delivery and container retrieval systems to maintain sales levels at each of our points of sale. By actively managing our distribution routes, we seek to ensure that deliveries are made when our clients (retailers) have the space and funds available to purchase our beverage products. Distribution is also critical in Latin America because the majority of soft drink products are sold in returnable bottles. We must regularly collect empty bottles from retailers and return them to our bottling plants. Distribution is primarily carried out by our employees and is supplemented by a network of independent distributors.

We have located and designed our production and distribution facilities based upon local factors including population concentration, topography, quality of roads and availability and efficiency of communications. In territories with large, industrial cities, such as greater Sao Paulo, we operate a smaller number of large distribution centers and often integrate distribution and bottling capabilities at the same facility. In rural areas, such as most of Colombia and Venezuela and parts of Mexico, Costa Rica, Nicaragua and Guatemala, we use a larger number of small bottling plants and warehouses.

We use two principal delivery methods depending upon local conditions: the traditional route truck system and the pre-sell method. In Mexico, most of Colombia, Venezuela and Nicaragua, the route truck system is widely used, in which salesmen drive delivery trucks on pre-established routes and make immediate sales from inventory available on the route truck. For all sales in Brazil, most of Costa Rica and in certain cities in Colombia, Mexico, Guatemala and Venezuela, we utilize the pre-sell system, in which a separate sales force obtains orders from customers prior to the time of delivery by route trucks. Use of the pre-sell system enables us to utilize our route trucks more efficiently, delivering all of their freight capacity and at the same time providing us real time information about the product and presentation needs of our clients. The traditional system maximizes sales to customers with less sophisticated cash management systems. We also employ a system of bicycles, carts and small trucks for smaller clients to provide flexible and fast deliveries within urban areas.

In order to more effectively respond to the needs of our clients and to help us better manage our inventories we have computer systems in place in each of our franchise territories. We have also equipped our sales force with handheld computers to provide us with real time information about the product and presentation needs of our clients.

MARKETING

Market segmentation has given rise to preferences on the part of consumers for a variety of presentations. Income level, substitutes, pricing and any other factors affect consumer preferences. In all our territories we attempt to adapt our product presentations and distribution to each market and to the individual clients and consumers within our territories in terms of the space available for product display, point-of-sale material, advertising and delivery methods. In order to maximize sales and per capita consumption of our products, we continually examine sales data in an effort to develop a mix of

product presentations that will best satisfy consumers and provide our clients with the most effective product mix. We also employ a variety of marketing techniques in each of our franchise territories to increase our share of sales, penetration and per capita consumption. The major programs and policies in place at each of our subsidiaries are described below.

MEXICO

During 2000, Panamco Mexico continued its cold product equipment placement program. At December 31, 2000, there were approximately 66.4 units for every 10,000 people within our franchise territory. Panamco Mexico, through its merchandizing club, provides training to its clients on its merchandizing standards and display methods to ensure that our products receive the best and most appropriate presentation.

During 2000, Panamco Mexico consolidated its "100 Meters Program", which focuses on nontraditional, immediate consumption channels. Since the initiation of the program in 1996, Panamco Mexico has increased its share of sales by 9.0 basis points and has expanded its client base in urban centers. Per capita consumption has increased 27.2%. As part of the "100 Meters Program", Panamco Mexico created a number of parallel programs, including the "Restaurant" plan, the "School" plan and the "Liquor Stores" plan. Under the Restaurant plan, Panamco Mexico has been placing fountain equipment in local traditional and fast-food restaurants. This gives our consumers immediate access to our products. Under the School plan, Panamco Mexico provides our products to young consumers in the schools creating brand preference at an early age with innovative packaging. The Liquor Stores plan takes advantage of the popularity of grapefruit-flavored soft drinks in the liquor stores segment with strong merchandising and alluring point-of-sale material designed to create preference for the Fresca brand.

Panamco Mexico continues to develop its marketing through "fondas", or traditional Mexican small family-run restaurants, by placing coolers, fountain equipment and tailored point-of-sale materials--menu boards, napkin holders, place mats and wall mosaics--with The Coca-Cola Company logo to entice consumers to drink Coca-Cola soft drinks with their meals.

In order to increase volume and perception of value among clients and consumers, Panamco Mexico selectively provides particular brands, packages and sizes and applies tailored pricing tactics in each of its channels based on the preferences of the consumers in the area.

To maintain the quality of its distribution system reliability of its deliveries, Panamco Mexico continues to modernize its vehicle fleet and optimize delivery routes.

BRAZIL

In Brazil our marketing efforts were primarily focused on our "new packages and presentations" programs that were introduced during the year. The new presentations were strategically focused on certain trade channels and points of sale supporting the consumer desire for new packages that appeal to different

consumption occasions. The most significant package launches were the 1.5 liter and the 2.5 liter presentations, as well as the multipacks for cans. Cold

equipment continued to support our ready-to drink program. The number of units of cold product equipment we have in the Brazilian market are 31.7 units per 10,000 inhabitants in our franchise territory.

As part of our "Cold Equipment Program" in Brazil we have developed the "At-Hand Consumption" and "Closed Market" programs to stimulate impulse consumption by maximizing the availability of our cold products everywhere people gather. In accordance with these programs; Panamco Brasil is developing new outlets and equipping them with the appropriate cold product equipment, point-of-sale material and products to maximize sales. The "Closed Market" program focuses on certain "closed" markets such as schools, clubs and factories.

During the first half of 2000, the Company continued with its promotional pricing strategy that alternated prices of our products every two weeks depending on the channels or on the product (colas or flavors) for our 2 liter PET presentation. The program came to an end in June and since then, thanks to its packaging and product strategy, the Company has sustained its share of sales at 55.7% of the soft drink market.

COLOMBIA

To ensure that both traditional and nontraditional outlets are able to provide cold, ready-to-drink products, Panamco Colombia continues its cold product equipment program. During 2000, Panamco Colombia reached a total of 45.2 coolers for every 10,000 people in our franchise territory. Panamco Colombia currently provides cold products in 47% of its outlets.

As a result of our cold equipment strategy, our different marketing promotions and a strong execution in the market place, our soft drink share of sales increased to a new record of 68.5%, an increase of 1.8 points.

In addition to our marketing programs, Panamco Colombia has a distribution strategy called the "Mini-Bodegas" (small shopkeepers) program, designed to supply our products to hard-to-reach areas without increasing distribution costs. Through this program, Panamco Colombia distributes products to small shopkeepers who, in turn, deliver products to crowded, hard-to-reach neighborhoods.

Panamco Colombia's "At-Hand Consumption" program strategically places ambulatory vendors carrying cold Coca-Cola products everywhere people gather.

The "School" program is geared towards creating brand preference and increased purchases in schools through innovative packaging and presentations.

Panamco Colombia also trains its clients on how to use and maintain our merchandizing materials to increase product sales. To ensure merchandizing quality, representatives of Panamco Colombia's sales force regularly visits its clients and evaluates the effectiveness of their merchandising efforts.

To maximize the efficiency of its distribution network, Panamco Colombia continues to refine its distribution strategy by increasing the number of presale and auto-sale clients and by significantly increasing distribution through small shopkeepers. These measures have reduced the number of trucks needed for each route and improved client satisfaction as well as truck utilization.

VENEZUELA

As one of our newer subsidiaries, Panamco Venezuela continues to focus its efforts on developing high-volume clients in traditional channels--supermarkets, grocery stores, liquor stores and bakeries--through

improved merchandising. Panamco Venezuela provides continuous support to these clients to ensure our products are given the largest spaces, best positions and appropriate point-of-sale material.

During 2000, Panamco Venezuela solidified its cold equipment program achieving almost 58.0 units per 10,000 inhabitants in its franchise territory. Marketing activities during the year included targeted local advertising, consumer and trade promotions, and alluring events.

We continue our programs to develop high-volume clients in traditional channels, and to provide retailers with cold product equipment. During the year, we launched two new products, Quatro and Grapette. These products appeal to the local taste of the Venezuelan consumer resulting in share of sales gains in our flavor categories.

Our program to segment various in-country markets led to the development of a more focused geographic regional targeting program and allocation of resources, as well as the expansion of new nontraditional channels. In Venezuela, 80% of the population is concentrated in the lower socioeconomic strata, and most of the population lives in the neighborhoods surrounding urban areas. During the year, we developed new channels and increased our cold product availability in, as well as improved distribution to, these neighborhoods. As a result, sales to these areas increased significantly. We also began to service new neighborhoods.

CENTRAL AMERICA

We continue the rollout of our core initiatives to boost per capita consumption in Central America. Efforts to bring Coca-Cola products closer to the consumer included the roll out of the "100 Meters Program" to the Guatemalan market and to all areas of Costa Rica and Nicaragua.

We continue to focus on increasing take-home consumption by implementing initiatives to boost sales in mini markets and small grocery stores (the "Mini Market" project), and continue our development of high-volume clients. In order to increase sales in these channels, we provide consumer and trade promotions with aggressive pricing on selected presentations.

We support these initiatives with aggressive strategic cooler placement and merchandising. We have also been making a concerted effort to upgrade the presentation of our products in all establishments, both traditional and nontraditional, by instituting company-wide merchandising standards and supplying outlets with the appropriate equipment and point-of-sale materials.

As a result of our programs in Central America, our share of sales has increased by 2.3 percentage points in Costa Rica, 3.2 percentage points in Nicaragua and 1.7 percentage point in Guatemala.

With the view of increasing the efficiency of our distribution in the region and improving service to clients, we began servicing new routes, introduced mini-warehouses and upgraded the vehicle fleet.

Raw Materials and Supplies

Soft drinks are produced by mixing water, concentrate and sweetener. We process the water we use in our soft drinks to eliminate mineral salts and disinfect it with chlorine. We then filter it to eliminate impurities, chlorine taste, trace metals and odors. We combine the purified water with processed sugar or high fructose (or artificial sweeteners in the case of diet soft drinks) and concentrate. To produce

carbonation we inject carbon dioxide gas into the mixture. Immediately following carbonation, we bottle the mixture in pre-washed labeled bottles. We maintain a quality control laboratory at each production facility where we test raw materials and analyze samples of soft drink products. All our sources of supply for raw materials are subject to the approval of The Coca-Cola Company.

Concentrates. We purchase concentrates from The Coca-Cola Company for all Coca-Cola products, as well as from other sources for our other products.

Water and sugar. We obtain water from various sources, including springs, wells, rivers and municipal water systems. Sugar is plentiful in all of our territories as each of Mexico, Brazil, Colombia, Costa Rica, Venezuela, Nicaragua and Guatemala is a producer of sugar. We purchase our requirements from various suppliers in each country.

Carbon dioxide. We purchase all of our supply of carbon dioxide in Colombia, Costa Rica and Venezuela from Paxair. All of our supply for Brazil is being produced at our bottling plant in Brazil. Panamco Mexico purchases its supply of carbon dioxide gas from Cryoinfra. Panamco Nicaragua and Panamco Guatemala purchase their supply of carbon dioxide from Carbox, a supplier located in Guatemala. Alternate suppliers are available in all the countries where we operate.

Bottles, caps and other packaging materials. We usually purchase glass bottles, plastic soft drink containers, plastic bottle caps, cans and general packaging materials locally in each country from various suppliers. Our supplies of plastic bottles in all of our territories are generally sourced from single suppliers of such bottles in each country, although there are alternative suppliers. Panamco Colombia has facilities to produce a small portion of its own disposable plastic bottles and owns 20% of Comptec, S.A., a joint venture with a subsidiary of The Coca-Cola Company and other Andean bottlers formed to produce returnable and disposable plastic bottles. Panamco Costa Rica owns a plastics business, which supplies plastic bottles for all of Panamco Costa Rica's requirements and to other customers in Central America, including Panamco Nicaragua and Panamco Guatemala.

We purchase metal bottle caps primarily from the Zapata group of companies, which have manufacturing facilities in Mexico, Brazil and Colombia. One of the companies in the Zapata group owns 60%, and Panamco Colombia owns 40%, of Tapon Corona, S.A., a Colombian company that manufactures bottle caps for Panamco Colombia, Panamco Venezuela and other customers. Panamco Costa Rica, Panamco Nicaragua and Panamco Guatemala currently purchase their bottle caps from Alcoa CSI, a third-party supplier.

We have facilities in Mexico, Brazil, Colombia and Costa Rica, which produce plastic cases for carrying bottles. The Costa Rican facility supplies Panamco Nicaragua and Panamco Guatemala. Plastic is purchased locally or imported when necessary. Plastic cases in Venezuela are purchased mainly from Gaveras Plasticas Venezolanas, C.A., which are all 100% recycled materials.

Other local suppliers are also available.

In addition to its bottling operations, Panamco Brasil also has the capacity to produce cans for canned soft drinks at its Jundiai plant and to produce plastic bottles at its bottling facility in Matto Grosso do Sul. Panamco Mexico owns approximately 14.9% of Industria Envasadora de Queretaro, S.A. de C.V., a canning cooperative for products of The Coca-Cola Company in Mexico. Panamco Colombia has the capacity to produce cans for canned soft drinks at one of its Bogota plants, but currently imports cans because of cost advantages. Panamco Venezuela has the capacity to produce cans for canned soft drinks at three of its plants. Panamco Central America imports cans from The Coca-Cola Company bottler in El Salvador, EMBOSALVA S.A.

Other. Many of the raw materials and supplies used in Venezuela are purchased from companies owned by members of the Cisneros family, the former owners of Panamco Venezuela. We believe the terms

of such arrangements are no less favorable to us than those that could be obtained from independent third parties.

Panamco Colombia has its own facilities to manufacture post- and pre-mix dispensers (for on-premises preparation of soft drinks). Panamco Colombia has expanded this operation to manufacture its own beverage coolers, which it also sells to our other operating subsidiaries. In 1999, Panamco Colombia acquired a minority interest in Ingenio San Carlos, a Colombian sugar producer. In connection with this acquisition, Panamco Colombia has entered into a long-term supply agreement with Ingenio San Carlos for sugar.

Panamco Mexico and Panamco Costa Rica manufacture their own racking systems for their route trucks and freight vehicles.

PRODUCTION

Our subsidiaries own and operate a total of 47 bottling plants, with 10 in Mexico, 3 in Brazil, 18 in Colombia, 1 in Costa Rica, 13 in Venezuela, 1 in Nicaragua and 1 in Guatemala. The totals include 2 plants in Mexico, 1 plant in Brazil and 1 in Colombia, which we use exclusively to bottle mineral water at the source. The plants have over 163 bottling lines with an installed capacity of over 900 million physical cases a year (assuming 400 production hours per month for 11 months per year, with one month reserved for maintenance). In order to increase production efficiency and reduce costs we have implemented cost reduction plans at all of our subsidiaries.

Panamco Brasil's Jundiai plant is the largest and one of the most sophisticated manufacturing complexes in The Coca-Cola Company system. Our Jundiai plant has annual production capacity of 250 million unit cases and has obtained ISO 9002 and 14001 certificates for quality, productivity and environmental safety.

COMPETITION

The beverage business in our franchise territories is highly competitive. Our principal competitors are bottlers of Pepsi products and bottlers and distributors of nationally and regionally advertised and marketed soft drinks. Our principal competitions in each of our franchise territories are set forth

below.

MEXICO

Our principal competitors in Mexico are bottlers of Pepsi products, whose territories overlap, but do not precisely match ours. We compete with Geupec, Group Regordosa and Pepsi Gemex for share of sales in our territory.

BRAZIL

In Brazil our main competitors were Brahma and Antarctica, both of which were beer bottlers that offered soft drinks as a complement to their beer businesses. Brahma was also the sole bottler of Pepsi in Brazil. In July 1999, Brahma and Antarctica announced a merger to form AmBev. In March 2000, AmBev received the necessary regulatory approval and assumed the bottling businesses of both Brahma and Antarctica. AmBev is our largest individual competitor in Brazil. We also compete with "tubainas", which are small, local, lower cost producers of flavored soft drinks. Tubainas are local shops that produce "no frills" flavored soft drinks in 2-liter presentations for at home consumption. They market their products primarily in supermarkets. Tubainas have lower overhead and we believe that they often do not comply with local tax laws, which enables them to offer lower cost products.

COLOMBIA

In Colombia our principal competitor is Postobon, a well-established bottler of both nationally advertised flavored soft drink products and Pepsi. The owners of Postobon hold other significant commercial interests in Colombia.

VENEZUELA

The Venezuelan Bottlers until August 1996 were the authorized bottling companies of products of Pepsi in Venezuela. In August of 1996 the Venezuelan bottlers entered into a bottling agreement with The Coca-Cola Company and became their authorized bottler in Venezuela. Subsequently, on November 2, 1996, Pepsi granted the franchise for its territories in Venezuela to Sopresa, a joint venture formed between Pepsi and Empresas Polar S.A., the leading beer distributor in Venezuela. Sopresa is our principal competitor in Venezuela. Since December 1999, we also compete with the producers of Kola Real, a "B" brand, in the central part of the country.

CENTRAL AMERICA

Newport Bottler (Pepsi bottler) is our principal competitor in Costa Rica, and The Central American Bottling Corporation (Pepsi bottler) is our principal competitor in Nicaragua and Guatemala.

In addition to competition from other soft drink producers, carbonated soft drink products compete with other major commercial beverages, such as coffee, tea, milk, beer and wine, as well as noncarbonated soft drinks, citrus and noncitrus fruit juices and drinks and other beverages.

Soft drink bottlers also compete for sales share through distribution and availability of products, pricing, service provided to retail outlets (including merchandising equipment, maintenance of bottle inventories at appropriate levels and frequency of visits), product packaging presentations

and consumer promotions. In recent years, price discounting by our competitors has been a means of obtaining sales share in Brazil, Colombia and, more recently, Venezuela. See "-- Marketing" and "-- Distribution".

Our consumer promotions are guided primarily by The Coca-Cola Company and take the form of contests, television, radio and billboard advertising, displays, merchandising and sampling.

EMPLOYEES

At December 31, 2000, we employed approximately 28,300 people (including temporary workers, but excluding independent distributors). Approximately 35% of our employees are members of labor unions, most of whom are in Mexico. Most of the employees in Colombia are covered by non-union collective bargaining agreements. The collective bargaining agreements for both unionized and non-unionized employees are negotiated separately for each bottling subsidiary, or in some instances, for each plant. In Mexico, collective bargaining agreements are renegotiated annually with respect to wages and biannually with respect to benefits. In Colombia and Venezuela, all collective bargaining agreements are negotiated biannually.

Panamco Mexico pays employees amounts usually equal to 10% of its taxable income, adjusted in accordance with local labor laws. The Mexican government also requires employers to set aside a percentage of employee wages in retirement accounts. In addition, both employers and employees in Mexico must contribute amounts to the national health care system and a workers' housing fund. In Colombia, Brazil, Costa Rica and Nicaragua, employers and employees contribute to employee retirement accounts and to their national health care systems. A profit-sharing program has been implemented in

Venezuela pursuant to which employees are entitled to receive an additional payment equal to at least 15 days' wages (but not more than four months' wages), and a profit-sharing program was established in Brazil in 1997. In Mexico and Nicaragua, employees are entitled to a mandatory Christmas bonus in an amount equal to 15 days and one month's salary, respectively. If an employee has worked for a company less than one year, that employee's bonus is reduced in proportion to the amount of time such employee was not employed. In Guatemala, employees receive a mandatory bonus in the form of a three-month payment based upon the salary paid during the preceding six months.

We believe that our relationship with our employees is good. We have voluntarily instituted and maintained popular benefits for our employees including housing loans.

The labor laws in each of the seven countries in which we operate require certain severance payments upon involuntary termination of employment. See "Item 3.--Legal Proceedings".

FRANCHISE ARRANGEMENTS

We have the right to sell The Coca-Cola Company's products, certain other soft drinks and certain bottled water products pursuant to bottling or other similar agreements described below.

The Coca-Cola Company's Products. The Coca-Cola Company (or its subsidiaries) has entered into exclusive bottling agreements (the "Bottling

Agreements") with each of our bottling subsidiaries (the "Bottlers"). The Bottling Agreements expire on various dates. In 1995, we and The Coca-Cola Company agreed that all bottling agreements of our Mexican subsidiaries will have a uniform term ending in 2005, renewable for additional ten-year terms. In 2000, The Coca-Cola Company entered into a bottling agreement with our Guatemalan subsidiary for a five-year term. In general, the Brazilian, Venezuelan, Nicaraguan, Costa Rican and Colombian agreements are for five-year terms, renewable for additional five-year terms.

The Bottling Agreements regulate the preparation, bottling and distribution of beverages in the applicable franchise territory. The Bottling Agreements authorize the Bottlers to use the concentrates purchased from The Coca-Cola Company to bottle, distribute and sell a variety of beverages under certain brand names and in certain approved presentations and to utilize the trademarks of The Coca-Cola Company to promote such products.

The Coca-Cola Company reserves the right to market independently or license post-mix products, although we believe that The Coca-Cola Company will not exercise these rights as long as we aggressively pursue the marketing of their products in our territories. The Bottlers must purchase the concentrate from The Coca-Cola Company and follow The Coca-Cola Company's exact mixing instructions. Each Bottler may purchase only the quantities of concentrates required in connection with its business and must use them exclusively for preparation of the beverages and for no other purpose. The Bottlers may not sell concentrate to third parties without The Coca-Cola Company's consent.

In the event of a problem with the quality of a beverage, The Coca-Cola Company may require the Bottler to take all necessary measures to withdraw the beverage from the market. The Coca-Cola Company must also approve the types of container used in bottling and controls the design and decoration of the bottles, boxes, cartons, stamps and other materials used in production. The agreements grant The Coca-Cola Company the right to inspect the products.

The prices The Coca-Cola Company may charge us for concentrates are fixed by The Coca-Cola Company from time to time at its discretion. The Coca-Cola Company currently charges us a percentage of the weighted average wholesale price (net of taxes) of each case sold to retailers within each of our franchise territories. At present, we make payments to The Coca-Cola Company in U.S. dollars for

purchases of concentrates by Panamco Venezuela, Panamco Nicaragua, Panamco Colombia and Panamco Guatemala. Purchases by Panamco Mexico, Panamco Brasil and Panamco Costa Rica are made in local currency. We pay no additional compensation to The Coca-Cola Company under the licenses for the use of the associated trade names and trademarks. Subject to local law, The Coca-Cola Company has the right to limit the wholesale prices of its products.

As it has in the past, The Coca-Cola Company may, in its discretion, contribute to our advertising and marketing expenditures as well as undertake independent advertising and marketing activities. The Coca-Cola Company has routinely established annual budgets with us for cooperative advertising and promotion programs.

The Bottling Agreements require the Bottlers to maintain adequate production and distribution facilities, quality control standards and sound financial capacity and to meet certain reporting requirements. The Bottling Agreements also prohibit the Bottlers from distributing The Coca-Cola

Company's products outside their territories and from producing any other cola beverages. In addition, the Bottling Agreements require us to obtain The Coca-Cola Company's approval before we can produce or distribute other nonalcoholic beverages.

The Bottlers may not assign, transfer or pledge their Bottling Agreements, or any interest therein, whether voluntarily, involuntarily or by operation of law, without the prior consent of The Coca-Cola Company. Moreover, the Bottlers may not enter into any contract or other arrangement to manage or participate in the management of any other bottler without the prior consent of The Coca-Cola Company. In addition, we may not sell or otherwise transfer ownership of any of the Bottlers.

Either party may terminate a Bottling Agreement in the event of a breach by the other party which remains uncured after 60 days. If a Bottler fails to comply with its obligations, The Coca-Cola Company may prohibit the production of The Coca-Cola Company's products until such noncompliance is corrected.

Other Brands. The Bottlers in Colombia and Costa Rica have agreements with companies other than The Coca-Cola Company for the sale of locally recognized soft drink products and mineral water. These agreements contain provisions governing the production, marketing and sale of the beverages that are, in most instances, less stringent than the requirements contained in the Bottling Agreements discussed above. Panamco Costa Rica also has the Canada Dry franchise from a subsidiary of Cadbury Schweppes PLC for all of Costa Rica. Panamco Venezuela has an agreement for the sale and distribution of Schweppes soda and tonic water in Venezuela.

GOVERNMENT REGULATION

Controls on Pricing and Promotions. Although there are none currently in effect, in the last ten years the governments of Mexico, Brazil and Colombia have imposed formal price controls on soft drinks. Currently in Mexico and Colombia, for soft drinks as well as for other goods, price increases proposed by manufacturers are subject to the informal approval of the respective government. Until recently, the Mexican government also limited the types of presentations for soft drinks. In Brazil, the government is recommending that manufacturers maintain price levels in line with a trailing four-month average of their historic price increases. Each of the governments of the countries in which we operate regulates some of our promotional activities such as cash prize contests.

Environmental Regulation. We spent $12 million each in 2000 and 1999 on plant upgrades designed to meet environmental objectives. See "Item 7. -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Capital Expenditures". We must comply with local permit requirements for constructing and expanding facilities, drilling wells, drawing water from rivers and discharging effluent.

Intellectual Property. The intellectual property laws of the countries in which we operate require a proprietary owner of trademarks used in the operation of franchises in the countries to make certain filings with the government to protect the trademark. We have made all necessary filings to protect our proprietary trademarks. To the best of our knowledge, The Coca-Cola Company and the owners of the other trademarks we use have made the necessary filings to protect their respective trademarks.

See also "Item 5. -- "Market for Registrant's Common Equity and Related Stockholder Matters -- Exchange Controls and Other Limitations Affecting Security Holders."

POLITICAL, ECONOMIC AND SOCIAL CONDITIONS IN LATIN AMERICA

In addition to the governmental regulations that have been imposed on our operations, the Latin American markets in which we operate are characterized by volatile, and frequently unfavorable, political, economic and social conditions. High inflation and, with it, high interest rates are common. In 2000, the per annum inflation rates were approximately 9% in Mexico, 10% in Brazil, 9% in Colombia, 12% in Venezuela, 10% in Costa Rica, 10% in Nicaragua and 5% in Guatemala. The governments in these countries have often responded to high inflation by imposing price and wage controls or similar measures, although currently there are no formal soft drink price controls in any of the countries. These countries have also experienced significant currency fluctuations. See "-- Currency Devaluations and Fluctuations".

The political, economic and social conditions in each of these countries create a challenging environment for businesses, including ours. Our business, earnings, asset values and prospects may be materially and adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxation, expropriation, social instability, and other political, economic or social conditions or developments in or affecting Latin America. Although we have been able to operate successfully in Latin America for over 50 years, we have no control over these conditions and developments, and can provide no assurance that such conditions and developments will not adversely affect our operations.

We can be adversely impacted by inflation in many ways. In particular, when wages rise more slowly than prices, inflation can erode consumer purchasing power and thereby adversely affect sales. Margins are diminished if product prices fail to keep pace with increases in supply and material costs. While we have been able in most recent years to increase prices in local currency terms overall at least as much as inflation, net sales in local currency terms may nevertheless remain flat or decrease if, among other things, inflation or high unemployment diminishes consumer purchasing power, as has been the case recently in Colombia and Venezuela. Although we expect that prices will generally keep pace with inflation in the near term, sales volume may decline and supply and material costs may rise more rapidly than prices in the future. See "Item 7. -- Management's Discussion and Analysis of Financial Condition and Results of Operations". See also the discussion under "-- Currency Devaluations and Fluctuations" regarding the impact of devaluations on net sales in dollars.

The governments in the countries in which we operate have historically exercised substantial influence over many aspects of their respective economies. In recent years, these governments have implemented important measures to improve their economies. The current political climate in these countries may create significant uncertainty as to future economic, fiscal and tax policies.

MEXICO

In Mexico, the early 1990s were marked by the economic reforms of the Salinas administration and the passage of the North American Free Trade Agreement. However, the Mexican government was not able to sustain this progress, and a series of political and economic events created considerable economic

adversity, political instability and uncertainty. The peso was devalued substantially in December 1994 and continued to depreciate in 1995. The exchange rate increased from approximately 3.4 Mexican pesos per U.S. dollar as of November 30, 1994 to approximately 7.7 Mexican pesos per U.S. dollar as of December 31, 1995. The devaluation in 1995 was in part prompted and aggravated by significant outflows of foreign capital, which in turn resulted in a liquidity crisis for the Mexican government. Political events also contributed to Mexico's economic problems, and have compounded the difficulties facing the government in solving these problems. In July 2000, the Institutional Revolutionary Party (the "PRI"), which has ruled Mexico since 1929, lost the presidential election and transferred the presidential powers to Vicente Fox, the leader of the opposition party "Partido de Accion Nacional" ("PAN").

BRAZIL

In Brazil, the government has had some success in controlling inflation, although there can be no assurance that this success will continue. In addition, in recent years there have been allegations of government improprieties, which have adversely affected its ability to implement a successful economic program. Midway through 1994, the government of Brazil launched an economic stabilization program, the Real Plan, which improved economic conditions in Brazil. Inflation, which had been at double-digit monthly rates, has decreased, purchasing power improved and the consumption of goods and services began to increase. However, in January 1999, the Brazilian government decided to modify its exchange policy, discontinuing its band system and allowing the real to trade freely. As a result, the real has experienced extreme volatility. On January 29, 1999, the real was trading at 2.20 reals per U.S. dollar, which represented an 80% devaluation in comparison to the December 31, 1998 rate. On March 31, 1999, the real had revalued from its lowest levels and was trading at 1.71 reals per U.S. dollar. On December 31, 1999, the real again devalued to 1.97 reals per dollar. During the first quarter of 1999, the Brazilian Government sought the support of the International Monetary Fund, which has authorized the use of previously approved support funds in an aggregate amount of approximately $6.5 billion for 1999. See "-- Currency Devaluations and Fluctuations". Although the modification of the exchange policy did not significantly exacerbate inflation during 1999, unemployment increased and wages in real terms fell. Lower wages in real terms reduced consumer purchasing power in Brazil, which is reflected in our lower sales for 1999. During 2000, the economy started to recover and disposable income increase was reflected on the Company's revenue growth, offset by the devaluation of the currency of 9.0%.

COLOMBIA

In Colombia, Andres Pastrana Arango, leader of the Conservative Party, was elected to the office of the presidency in July 1998, ending 12 years of control by the Liberal Party. Mr. Pastrana's pledge to seek peace with revolutionary guerilla forces, halt traffic in narcotics and improve general economic conditions has not been successful and guerilla violence escalated in 1999. Violence resulting from guerilla movements and traffic in narcotics continues. Many businesses, including ours, have been the victims of such violence on occasion. All such losses suffered by us in 1999 were fully covered by insurance. On June 29, 1999, in the face of economic pressures, the Colombian Central Bank lowered the band in which the Colombia peso trades by 9%, which resulted in a significant devaluation. See "-- Currency Devaluations

and Fluctuations--Colombia."

During 2000, the Colombian government received an assistance package from the United States of America in order to fight illegal drug traffic under the so called "Plan Colombia". This plan, among other things, included programs to assist farmers and the population in rural areas.

VENEZUELA

In 1994, in response to large budget deficits and a crisis in the banking sector, and pursuant to special authority granted by the Venezuelan Congress, President Caldera's administration temporarily imposed controls on foreign exchange transactions and on prices of consumer goods and services and

required mandatory bonus payments be paid to workers to assist in covering food and transportation costs. In addition, President Caldera's administration was given full and direct control over the Venezuelan banking system. In April 1996, the Venezuelan government lifted the controls on foreign exchange transactions and most of the controls on prices of consumer goods and services, and in July 1996, the Venezuelan government lifted the suspension of constitutional rights in all territorial areas except certain border areas. We do not know if such controls or suspensions will be reimposed. Venezuela has also experienced significant currency fluctuations. See "--Currency Devaluations and Fluctuations". The Venezuelan government has exercised, and continues to exercise, significant influence over many aspects of the Venezuelan economy.

On December 6, 1998, Hugo Chavez Frias was elected to the office of the presidency with 56% of the vote (the largest margin in a democratic election in Venezuela). Mr. Chavez was inaugurated in February 1999. Mr. Chavez's main reform and action plans include the opening of the Venezuelan economy to foreign investment, the privatization of certain state-owned utilities, the reform of the tax system and the implementation of a Constitutional Assembly in order to rewrite the Venezuelan Constitution. The final draft of the new Constitution was completed in November 1999, and was approved by referendum in December 1999.

Pursuant to the approval of the new constitution, the President, state governors and other executive and legislative powers were re-appointed by public elections in May and December of 2000.

COSTA RICA

In Costa Rica, Miguel Angel Rodriguez was elected to the office of the presidency in 1998 by a narrow margin, and faces considerable opposition in Congress. Attempts by Mr. Rodriguez and his administration to build support for their economic liberalization policies have been limited in success. Although inflation, interest rates and the exchange rate have been relatively stable, low coffee and banana prices in the international markets have adversely impacted the Costa Rican economy, which is heavily dependent on coffee and banana exports. In addition, tourism, an important source of income in Costa Rica, has declined as a result of relatively high consumer prices, security problems and competition from other tourist areas.

NICARAGUA

In Nicaragua, President Arnoldo Aleman Lacayo, who assumed office in

January 1997, has publicly declared his intentions to work for reconciliation among the dominant political factions in Nicaragua, but it is unclear whether he will be able to do so. Mr. Aleman's success has been limited by splits in his political party, Partido Liberal Constitutucionalista ("PLC"). In addition, conflicts over the ownership of properties previously confiscated by the Sandinista government and redistributed during the recent period of agrarian reform have not been completely resolved. The planned privatization of certain state-owned utilities, which has been undertaken to satisfy certain conditions to continued financial aid imposed by the International Monetary Fund, has been delayed, and Nicaragua continues to face a large fiscal deficit.

GUATEMALA

In Guatemala, Alfonso Portillo, of the right wing opposition party, won the December 1999 presidential election. The December election was the first election in Guatemala since the end of its 36 year civil war. Mr. Portillo has indicated that his top priorities will be stabilizing the economy, combating high crime rates and advancing privatizations, which were begun by the administration of Alvaro Arzu.

1998 marked the first anniversary of the signing of the final peace accord between the Guatemalan government and the Unidad Revolucionaria Nacional Guatemalteca (the "URNG"). Mr. Arzu was

successful in demobilizing the guerrilla forces of the URNG, but made only limited progress in the important areas of constitutional reforms (particularly reforms designed to protect the rights of indigenous peoples), settlement of land disputes and socio-economic improvements. The Arzu administration and ruling political party, Partido de Avanzada, faced opposition in Congress in their efforts to reform the Guatemalan tax system and to increase the tax revenue received by the Guatemalan government, which are conditions to the disbursement of loans and donations designated as "peace funds" that have been pledged by the International Monetary Fund and other donors.

The political, economic and social conditions in each of these countries creates a challenging environment for business, including the Company.

The Company's business, earnings, asset values and prospects may be materially and adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, prices and wage controls, exchange control regulations, taxation, expropriation, social instability, and other political, economic or social conditions or developments in or affecting Latin America. Although the Company has been able to operate successfully in Latin America for over 50 years, it has no control over such conditions and developments, and can provide no assurance that such conditions and developments will not adversely affect the Company's operations.

CURRENCY DEVALUATIONS AND FLUCTUATIONS

In December 1994, the Bank of Mexico allowed the Mexican peso to float in the free market, which resulted in an immediate and significant devaluation of the peso. The exchange rate increased from approximately 3.4 Mexican pesos per U.S. dollar as of November 30, 1994 to approximately 7.7 Mexican pesos per U.S. dollar as of December 31, 1995. As of December 31, 2000, the exchange rate was approximately 9.6 Mexican pesos per U.S. dollar.

The devaluation of the Mexican peso in 1995 and the related economic conditions in Mexico had a significant adverse impact on the results of operations and financial condition of Panamco Mexico in 1995 and, consequently, on the results of operations and financial condition of the Company in 1995. The carrying value of the assets of the Panamco Mexico subsidiaries in our consolidated accounts was also adversely affected. During 2000 and 1998, the peso was devalued by 1% and 22%, respectively, and during 1999 the peso was revalued by 4%.

In January 1999, the Brazilian government decided to modify its exchange policy, discontinuing its band system and allowing the real to trade freely. As a result, the real has experienced extreme volatility. On January 29, 1999, the real was trading at 2.05 reals per dollar, which represented an 80% devaluation in comparison to the December 31, 1998 rate. On March 31, 1999, the real had revalued from its lowest levels and was trading at 1.72 reals per dollar. The Brazilian real exchange rate as of December 31, 1999 was 1.79 reals per U.S. dollar compared to 1.21 reals per U.S. dollar as of December 31, 1998 representing a 48% devaluation, between average exchange rate of 1999 and 1998 the devaluation was approximately 56%. The devaluation of the Brazilian real adversely impacted the results of the operations of Panamco Brasil by approximately $28 million in 1999. In 2000, the currency devaluation rate in Brazil was approximately 9%.

On June 27, 1994, the Venezuelan government established certain foreign currency exchange controls and soon thereafter fixed the official exchange rate between the Venezuelan bolivar and the U.S. dollar. Currently, the Central Bank of Venezuela intervenes in the market to maintain such exchange rate within a range that is 7.5% above and 7.5% below a reference rate that it sets. There can be no assurance that the Central Bank of Venezuela will continue its current exchange rate policy or that the Venezuelan government will not impose foreign exchange restrictions in the future or that the bolivar will not continue to decline in value with respect to the U.S. dollar. Any such imposition or decline could adversely affect our

financial condition and results of operations. In 2000, the currency devaluation rate in Venezuela was approximately 9%.

On June 29, 1999, in the face of economic pressures, the Colombian T Central Bank lowered the band in which the Colombian peso trades by 9%, which resulted in significant currency devaluations. On September 30, 1999 the Colombian peso was trading at 2,017.27 Colombian pesos per dollar, which represented a 31% devaluation in comparison to the December 31, 1998 rate. The Colombian peso exchange rate as of December 31, 1999 was 1,873.77 Colombian pesos per U.S. dollar compared to 1,542.11 Colombian pesos per U.S. dollar as of December 31, 1998 representing a devaluation of approximately 22%. In 2000, the Colombian peso was devalued by 19%.

As a general matter, because our consolidated cash flow from operations is generated exclusively in the currencies of Mexico, Brazil, Colombia, Venezuela, Costa Rica, Nicaragua and Guatemala, we are subject to the effects of fluctuations in the value of these currencies. Each of these countries has historically experienced significant currency devaluations relative to the U.S. dollar. Such devaluations alone have generally not adversely affected the profitability of our subsidiaries, measured in local currencies, as substantially all costs of sales and expenses are incurred in local currencies. However, in general, such devaluations are accompanied by high inflation and declining purchasing power, which can adversely affect our sales

as well as income. Because our financial statements are prepared in U.S. dollars, net sales (and other financial statement accounts, including net income) tend to increase when the rate of inflation in each country exceeds the rate of devaluation of such country's currency against the U.S. dollar. Alternatively, net sales (and other financial statement accounts, including net income) generally are adversely affected if and to the extent that the rate of devaluation of each country's currency against the U.S. dollar exceeds the rate of inflation in such country in any period. In addition, when dividends are distributed to us by our foreign subsidiaries, the payments are converted from local currencies to U.S. dollars, and any future devaluations of local currencies relative to the U.S. dollar could result in a loss of dividend income. For a discussion of devaluation rates in Mexico, Brazil, Colombia, Venezuela, Costa Rica, Nicaragua and Guatemala, see "Item 7.-- Management's Discussion and Analysis of Financial Condition and Results of Operations--Inflation".

In periods of high inflation and high interest rates, borrowings denominated in local currencies are more costly, while borrowings indexed to the U.S. dollar or other foreign currencies place the risk of devaluation on the borrower. In periods of devaluation, U.S. dollar denominated borrowings can generate income statement losses or charges against shareholders' equity, as occurred in 1995 as a result of the Mexican peso devaluation. We could be adversely affected by a devaluation of the Mexican peso, as in 1995, or similar conditions in other countries, if it becomes necessary to increase indebtedness in order to finance capital expenditures or for other purposes.

ITEM 2. PROPERTIES

PROPERTIES

Our properties consist primarily of bottling, distribution and office facilities in Mexico, Brazil, Colombia, Venezuela, Costa Rica, Nicaragua and Guatemala. Panamco Mexico, Panamco Brasil, Panamco Colombia, Panamco Venezuela, Panamco Costa Rica, Panamco Nicaragua and Panamco Guatemala currently own and operate 10, 3, 18, 13, 1, 1 and 1 bottling plants, respectively. As of December 31, 2000, the Company owned or leased over 338 warehouse distribution centers in its territories. See "Item 1. -- Business -- Production" for additional information regarding our properties.

As of December 31, 2000, the consolidated net book value of all land, buildings, machinery and equipment owned by the Company was approximately $1,125.7 million. These assets were subject to liens

and mortgages securing lines of credit and other indebtedness. The aggregate amount of such indebtedness outstanding was approximately $68.2 million as of December 31, 2000. The total annual rent paid by the Company in 2000 for its leased distribution and office facilities was approximately $13.5 million.

ITEM 3. LEGAL PROCEEDINGS

LEGAL PROCEEDINGS AND CLAIMS ASSOCIATED WITH THE VENEZUELA ACQUISITION

In connection with the Venezuela Acquisition, in 1999 we received notice of certain tax claims asserted by the Venezuelan taxing authorities, which mostly relate to fiscal periods prior to the Venezuela Acquisition. The claims are in preliminary stages and current aggregate of approximately $48.2

million. We have certain rights to indemnification from Venbottling (a company owned by the Cisneros family) and The Coca-Cola Company for a substantial portion of such claims and intend to defend against them vigorously. Based on the information currently available, we do not believe that the ultimate disposition of these cases will have a material adverse affect on us. See "Item 7. -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Forward-Looking Statements".

POTENTIAL IMPOSITION OF LIABILITIES UPON RESOLUTION OF CERTAIN BRAZILIAN TAX MATTERS

Panamco Brasil has been the subject of administrative proceedings in the Federal Revenue Office brought by Brazilian tax authorities seeking excise taxes, interest and fines in an amount equivalent to $34.1 million as of December 31, 1996. As of December 31, 2000, such amount had been reduced to an amount equivalent to approximately $3.5 million. Issues raised by the proceedings included whether freight costs should be included in the Brazilian Tax on Manufactured Products (the "IPI") and the calculation of the IPI rates on various beverages. In June 1997, the Brazilian Taxpayers' Council ruled unanimously in favor of Panamco Brasil with respect to the period from January 1984 to December 1988, and this ruling is no longer subject to appeal. During 2000, the Brazilian Taxpayers' Council extended this period to June 30, 1989. Because the Company believes it will ultimately not incur any liability, there is no reserve in the Company's financial statements in respect of these matters. The remaining proceeding was ruled favorably to Panamco Brasil in 2000 and there is no appeal pending to the proceeding. See Note 12 of "Notes to Consolidated Financial Statements".

In addition, Panamco Brasil is the subject of administrative proceedings in the Federal Reserve Office brought by Brazilian tax authorities seeking income taxes, interest with respect to credits taken in current periods and fines in an amount equivalent to $3.7 million as of December 31, 2000. Issues raised by the tax authorities include the deductibility of certain intercompany service payments. The Brazilian tax authorities prevailed at the initial administrative proceeding in 1991 and at the appellate administrative level in June 1993. Panamco Brasil has appealed the decision. In April 1998, the Brazilian Taxpayers' Council ruled unanimously in favor of Panamco Brasil. The amount in question represents approximately $1.8 million. This ruling is not subject to appeal. The Brazilian Taxpayers' Council, however, issued a ruling against a former subsidiary of Panamco Brasil. The amount in question represents approximately $1.9 million. Panamco Brasil has appealed this ruling. See Note 12 of "Notes to Consolidated Financial Statements".

Panamco Brasil is also the subject of administrative proceedings in the Federal Reserve Office brought by Brazilian tax authorities seeking assessments with respect to tax credits taken during 1995 and 1996 relating to overpayments of certain value-added taxes in prior years. The assessments involve an amount approximately equivalent to $32.8 million as of December 31, 2000 and relate to value-added taxes applied to samples, gratuities and credit sales. The Company has appealed the assessments. See Note 12 of "Notes to Consolidated Financial Statements".

LEGAL PROCEEDING ASSOCIATED WITH THE SOLICITATION BY CERTAIN INDEPENDENT DISTRIBUTORS IN VENEZUELA TO FORM A DISTRIBUTORS UNION.

During 1999, a group of independent distributors of Panamco Venezuela commenced a proceeding to incorporate a union of distributors. If this effort

is successful, these distributors could, among other things, demand on an individual basis, certain labor and severance rights against Panamco Venezuela.

Since the incorporation process began, Panamco Venezuela has vigorously opposed its formation through all available legal channels. In February 2000, Panamco Venezuela presented a nullity recourse against the union incorporation solicitation, as well as an injunction request before the Venezuelan Supreme Court. A decision on the injunction request should be obtained at any time and a final decision on the nullity recourse should be issued by the Supreme Court within the next 12 to 16 months.

At this point, the Company believes that it will obtain a favorable outcome on the recourses presented to the Supreme Court, and that the ultimate disposition of this case will not have a material adverse effect on the Company.

In addition, other legal proceedings are pending against or involve the Company and its subsidiaries, which are incidental to the conduct of their businesses. The Company believes the ultimate disposition of such other proceedings will not have a material adverse effect on its consolidated financial condition.

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

No matter was submitted to a vote of stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of fiscal year 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS.

NATURE OF TRADING MARKET

As of March 26, 2001, we had approximately 9,850 holders of record of an aggregate of approximately 119,002,164 shares of Class A Common Stock outstanding. As of March 26, 2001, there were an estimated 1,227 holders of record of the Class B Common Stock. As of March 26, 2001, to our knowledge approximately 90.6% of the total outstanding Common Stock was held of record by persons in the United States.

The Class A Common Stock has been listed and traded on the NYSE under the symbol "PB" since September 21, 1993. The following table sets forth the range of high and low closing sale prices of the Class A Common Stock as reported on the NYSE during the periods shown:

	HIGH	LOW
2001:		
First Quarter (through March 26)	$19.110	$13.563
2000:		

First Quarter	$20.500	$16.063
Second Quarter	$17.688	$14.938
Third Quarter	$20.125	$15.063
Fourth Quarter	$17.500	$13.138
1999:		
First Quarter	$21.750	$14.625
Second Quarter	$27.063	$17.500
Third Quarter	$24.250	$16.563
Fourth Quarter	$23.438	$14.813

On March 26, 2001, the closing sale price of the Class A Common Stock on the NYSE was $18.250 per share.

We declared quarterly cash dividends of $0.06 per share of common stock during each of the years ended December 31, 2000 and 1999.

Certain Restrictions on Transfer. Our Articles of Incorporation prohibit the transfer of shares of Class A Common Stock if the proposed transferee would become the beneficial owner of 10% or more of the Class A Common Stock, unless such transfer is approved by the Board of Directors or the holders of at least 80% of the shares entitled to vote. Such restriction also applies to any transfer of shares of Class B Common Stock which are then converted into Class A Common Stock.

Our Articles of Incorporation also provide that shares of Class B Common Stock automatically convert into a like number of shares of Class A Common Stock if transferred to any person who is not a Qualifying Transferee, or an Additional Qualifying Transferee, as defined therein.

In addition, we are registered with the Panamanian National Securities Commission and is subject to a Panamanian statute which prohibits acquisitions of 5% or more of the outstanding voting securities of a

Panama corporation without board of directors' review or shareholder approval.

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

None of the countries in which we operate currently restricts the remittance of dividends paid by subsidiaries to us, although Brazil has laws in effect that impose limitations on the exchange of local currency for foreign currency at official rates of exchange. Panama does not restrict the payment of dividends by us to our shareholders. Mexico, Brazil, Colombia, Venezuela, Costa Rica, Nicaragua and Guatemala have imposed more restrictive exchange controls in the past, and no assurance can be given that more restrictive exchange control policies, which could affect the ability of the subsidiaries to pay dividends to Panamco, will not be imposed in the future. The payment of dividends by such subsidiaries is also in certain instances subject to statutory restrictions and is contingent upon the earnings and cash flow of and permitted borrowings by such subsidiaries. In addition, payment of dividends by majority-owned subsidiaries necessitates pro rata dividends to minority shareholders.

The Mexican Government has not restricted the conversion of the peso into other currencies to pay dividends except during brief periods. However, other types of transactions have been subject to exchange controls and less

favorable official rates of exchange as recently as 1991.

Brazil currently restricts the ability of nationals and foreigners to convert the local currency into dollars or other currencies other than in connection with certain authorized transactions, which include, among others, payment of dividends in compliance with foreign investment registration regulations. In Brazil, all foreign investments must be registered with the Central Bank, which issues a certificate of registration of the foreign currency value of such investment. Without such registration, no remittances of dividends or profits may be made abroad, nor may any part of the original investment be repatriated in foreign currency. The Central Bank has issued certificates to the Company and its subsidiaries with respect to its investment in Panamco Brasil. We must obtain an amendment to our Certificate of Registration from the Central Bank upon any change in our investment in Brazil.

In Colombia, there are no restrictions on the remittance of profits to foreign investors as long as the investment is registered with the Colombian Central Bank and the proper tax has been withheld. The Central Bank has registered the Company as a foreign investor in each of the directly owned Colombian subsidiaries, and these registrations allow Panamco to remit all dividends received from its Colombian subsidiaries, subject to payment of applicable taxes. However, under current Colombian law, whenever foreign reserve levels fall below the equivalent of three months of imports, repatriation and remittance rights may be temporarily modified.

In April 1994 the Venezuelan government imposed controls on foreign exchange transactions. These controls were lifted in April 1996; however, there can be no assurance that such controls or regulations will not be reimposed.

Since 1996, no substantial restrictions on the foreign exchange system remain in force in Nicaragua. Although the 1991 Foreign Investment Law, which was created to guarantee foreign investors the right to remit 100% of profits through the official exchange market, is still formally in effect, it no longer has any practical application. Since it is not mandatory, most foreign investors do not seek registration under the 1991 Foreign Investment Law. Investors, whether registered under the 1991 Foreign Investment Law or not, can freely repatriate their profits through the banking system. Profit repatriation has not been a problem in Nicaragua in recent years.

In Guatemala there are no restrictions on the remittance of profits to foreign investors. There is no obligation for foreign investors to register their investments with any governmental office or to solicit any authorization to participate in local businesses. On February 4, 1998, the Guatemalan Congress enacted the Foreign Investment Law, which amended or, in some cases, eliminated, restrictions created in the past that affected foreign

investment. Since that date, the Guatemalan government treats national and foreign investment under the same rules and conditions. There can be no assurance that prior restrictions will not be reimposed in the future.

TAXATION

Introduction

The following discussion summarizes the principal U.S. Federal income tax consequences of acquiring, holding and disposing of the Company's Class A

Common Stock. The following discussion is not intended to be exhaustive and does not consider the specific circumstances of any owner of Class A Common Stock.

The discussion is based on currently existing provisions of the United States Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed Treasury Regulations thereunder, and current administrative rulings and court decisions, all of which are subject to change (which change could be retroactive). The discussion is limited to United States Federal income tax matters and does not address other U.S. Federal taxes (such as estate taxes) or the state, local or foreign tax aspects of acquiring, holding and disposing of Class A Common Stock.

The discussion is limited to holders of Class A Common Stock that do not currently own and have not owned any stock in the Company (or any of its subsidiaries) other than Class A Common Stock and that hold such shares as a capital asset (within the meaning of Section 1221 of the Code).

There is no reciprocal tax treaty between Panama and the United States regarding withholding.

U.S. Federal Income Tax Consequences to U.S. Holders.

The following discussion applies to a holder of Class A Common Stock who is an individual citizen or resident of the United States, a corporation created or organized in the United States or any other person subject to U.S. Federal income taxation on its worldwide income and gain ("U.S. Holders").

Distributions by the Company. Distributions by the Company with respect to Class A Common Stock will be taxable to U.S. Holders as ordinary dividend income to the extent of the Company's current and accumulated earnings and profits. Distributions, if any, in excess of the Company's current and accumulated earnings and profits will constitute a nontaxable return of capital to a U.S. Holder to the extent of the U.S. Holder's adjusted tax basis in the Class A Common Stock and will be applied against and reduce the U.S. Holder's tax basis in such Class A Common Stock. To the extent that such distributions are in excess of the U.S. Holder's tax basis in its Class A Common Stock, the distributions will constitute capital gain. Distributions with respect to Class A Common Stock generally will not be eligible for the dividends-received deduction.

Foreign Personal Holding Company. The Company and several of its subsidiaries may be "foreign personal holding companies" ("FPHC"). A foreign corporation is classified as an FPHC for a taxable year during which at least 60% of its gross income for the taxable year is "FPHC income" and more than 50% of the voting power or value of all stock in such corporation is owned, directly or indirectly (including shares owned through attribution), by five or fewer individuals who are United States persons. FPHC income generally includes royalties, annuities, proceeds from the sale of stock or securities, gains from futures transactions in any commodities, rents, income from personal services, dividends and interest (other than certain dividends and interest paid by a qualifying related company that is incorporated in the same country as the recipient corporation). After its initial year as an FPHC, a corporation may remain an FPHC even if only 50% of its gross income is FPHC income.

All United States Holders that are shareholders of an FPHC are required to include in their taxable income a deemed dividend equal to their share of

the corporation's "undistributed FPHC income". In general, a corporation's undistributed FPHC income is the corporation's total taxable income (which is gross income minus allowable deductions such as ordinary and necessary business expenses), with certain adjustments, less dividends paid by the corporation. Such a deemed dividend is recognized by all U.S. Holders that are shareholders of an FPHC with undistributed FPHC income, regardless of their percentage ownership in the corporation, and regardless of whether they actually receive a dividend from the FPHC.

Because the Company intends to distribute sufficient dividends and to cause each of its FPHC subsidiaries to distribute sufficient dividends so that no FPHC will have undistributed FPHC income, it is not expected that U.S. Holders will receive deemed dividend income as a result of the FPHC rules. Nevertheless, if the Company or certain of its FPHC subsidiaries have undistributed FPHC income, U.S. Holders will recognize deemed dividend income regardless of whether they receive cash distributions from the Company.

Controlled Foreign Corporation. Panamco and its subsidiaries may be "controlled foreign corporations" ("CFC"). A corporation is a CFC if more than 50% of the shares of the corporation, by vote or value, are owned, directly or indirectly (including shares owned through attribution, which requires treating Warrants and Securities convertible into shares actually or constructively owned by a U.S. Holder as exercised or converted), by "10% CFC Shareholders". The term CFC Shareholder means a U.S. person (including citizens and residents of the United States, corporations, partnerships, associations, trusts, and estates created or organized in the United States) who owns, or is considered as owning through attribution, 10% or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation. Each 10% CFC Shareholder in a CFC is required to include in its gross income for a taxable year its pro rata share of the CFC's earnings and profits for that year attributable to certain types of income or investments. It should be noted that income recognized by a 10% CFC Shareholder under the CFC rules would not also be recognized as undistributed FPHC income.

A U.S. Holder will not be a "10% CFC Shareholder" and will not be subject to the CFC rules unless in the case of the Company the U.S. Holder owns 10% of the Class B Common Stock or in the case of any CFC Subsidiary of the Company, at least 10% of the value of the Company's outstanding shares or at least 10% of the voting stock in one or more of the Company's CFC subsidiaries), in each case directly or indirectly (including shares owned through attribution).

Passive Foreign Investment Company. A "passive foreign investment company" ("PFIC") is defined as any foreign corporation at least 75% of whose consolidated gross income for the taxable year is passive income, or at least 50% of the value of whose consolidated assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents, annuities and the excess of gains over losses from the disposition of assets which produce passive income. However, a corporation that is a CFC shall not be treated as a PFIC with respect to a shareholder who is a 10% CFC shareholder.

Neither the Company nor any of its subsidiaries has been or is a PFIC, and the Company intends to conduct its affairs so as to avoid the classification of the Company and its subsidiaries as PFICs. However, if ever applied to the Company, the PFIC rules could produce significant adverse tax consequences for a U.S. Holder, including the imposition of the highest tax rate on income or gains allocated to prior PFIC years and an interest charge on U.S. Federal income taxes deemed to have been deferred.

Foreign Tax Credits. Dividends received from the Company generally will

be characterized as passive income, and any U.S. tax imposed on these dividends cannot be offset by excess foreign tax credits that a U.S. Holder may have from foreign-source income not qualifying as passive income.

Dispositions of Stock. In general, any gain or loss on the sale or exchange of Class A Common Stock by a U.S. Holder will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held the Class A Common Stock for more than 12 months. For noncorporate U.S. Holders, long-term capital gain generally will be subject to U.S. Federal income tax at a maximum rate of 20% if the underlying Class A Common Stock has been held for more than 12 months. There are limits on the deductibility of capital losses.

Information Reporting and Backup Withholding Requirements with Respect to U.S. Holders. United States information reporting requirements may apply with respect to the payment of dividends on the Class A Common Stock. Under recently finalized Treasury Regulations, effective as of January 1, 2001, noncorporate U.S. Holders may be subject to backup withholding at the rate of 31% with respect to dividends paid by the Company after December 31, 2000 when a U.S. Holder (i) fails to furnish or certify a correct taxpayer identification number to the payor in the manner required, (ii) is notified by the IRS that it has failed to report payments of interest or dividends properly or (iii) fails, under certain circumstances, to certify that it has not been notified by the Internal Revenue Service that it is subject to backup withholding for failure to report interest and dividend payments.

Form 5471 Reporting Requirements. U.S. Holders may be required to file IRS Form 5471 under certain circumstances. A U.S. Holder is not subject to Form 5471 filing requirements unless (after the application of the relevant attribution rules) the U.S. Holder: (i) owns 10% or more of the value of the outstanding stock of the Company or a subsidiary that is an FPHC; (ii) meets the 10% stock ownership requirements with respect to the Company or one or more of its subsidiaries when such corporation is "reorganized", acquires stock in the Company or one of its subsidiaries which, when added to any stock owned on the date of acquisition, meets the 10% stock ownership requirement, acquires stock (without regard to stock already owned on the date of acquisition) that meets the 10% stock ownership requirement, or disposes of sufficient stock to reduce its ownership interest to less than the 10% stock ownership requirement; (iii) is a person who owns any shares in a captive insurance company which is owned 25% or more by U.S. persons; (iv) is a 10% CFC shareholder of the Company or one or more of its subsidiaries; (v) is an officer or director of the Company or one or more of its subsidiaries; or (vi) owns more than 50% of the total combined voting power of all classes of stock entitled to vote, or more than 50% of the total value of all shares of stock in the Company or one or more of its subsidiaries. For purposes of section (ii) above, the term "10% stock ownership requirement" means direct or indirect ownership of 10% or more of the total value of the corporation's stock, or 10% or more of the total combined voting power of all classes of stock with voting rights. A United States person required to file a Form 5471 to report its ownership of Class A Common Stock may also be required to file one or more Forms 5471 for various subsidiaries of the Company. As long as the reporting requirements above have been met, no U.S. Income Withholding Tax is required on dividends paid.

Failure to provide the information required by Form 5471 may result in substantial civil and criminal penalties. Each prospective shareholder should consult its own tax advisor with respect to the specific requirements for filing Forms 5471.

U.S. Federal Income Tax Consequences to Non-U.S. Holders.

The following discussion summarizes the U.S. Federal income tax consequences of acquiring, holding and disposing of Class A Common Stock by a holder of Class A Common Stock that is not a U.S. Holder (a "Foreign Holder"), is not engaged in the conduct of a trade or business in the United States and is not present in the United States for 183 days or more during the taxable year.

Distributions. Distributions by the Company to a Foreign Holder would be subject to withholding of U.S. Federal income tax only if 25% or more of the gross income of the Company (from all sources for the three-year period ending with the close of the taxable year preceding the declaration of the dividend) was effectively connected with the conduct of a trade or business in the United States by the Company. The

Company anticipates that it will recognize income that is effectively connected with the conduct of a trade or business in the United States. However, the income that is effectively connected with the conduct of a trade or business in the United States should not represent 25% or more of the gross income of the Company. Accordingly, dividends paid to Foreign Holders are not expected to be subject to U.S. Federal income or withholding tax unless the Company's sources of income significantly change.

Dispositions of Shares. A Foreign Holder generally will not be subject to United States Federal income or withholding tax in respect of gain recognized on the disposition of Class A Common Stock.

Information Reporting and Backup Withholding Requirements with Respect to Foreign Holders. For dividends paid after December 31, 2000, Foreign Holders may be required to comply with certification and identification procedures to prove their exemption from information reporting and backup withholding requirements. As a general matter, information reporting and backup withholding will not apply to a payment of proceeds from a sale of the Class A Common Stock effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale effected outside the United States of the Class A Common Stock through a "U.S. Broker", unless the broker has documentary evidence in its records that the holder is not a United States person and has no actual knowledge that such evidence is false, or the Foreign Holder otherwise establishes an exemption. For purposes of the preceding sentence, a U.S. Broker is a broker that is a United States person or has certain other connections to the United States. Payment by a broker of the proceeds of a sale of the Class A Common Stock effected inside the United States is subject to both backup withholding and information reporting unless the Foreign Holder certifies under penalties of perjury that he is not a United States person and provides his name and address or the Foreign Holder otherwise establishes an exemption. Any amounts withheld under the backup withholding rules from a payment to a Foreign Holder will be allowed as a refund or a credit against such Foreign Holder's United States Federal income tax, provided that the required information is furnished to the IRS. As long as the reporting requirements above have been met, no U.S. Income Withholding Tax is required on dividends paid.

Panamanian Taxation

The principal Panamanian tax consequences of ownership of Shares are as follows. The following discussion is based upon advice of the Company's

Panamanian counsel Arias, Fabrega & Fabrega.

General. Panama's income tax is exclusively territorial. Only income actually earned from sources within Panama is subject to taxation. Income earned by Panamanian corporations from offshore operations is not taxable in Panama. The territorial principle of taxation has been in force throughout the history of the country and is supported by legislation, administrative regulations and court decisions.

The Company is not subject to taxes in Panama because almost all of its income arises from the activities of its subsidiaries, which are conducted entirely offshore from Panama. This is the case even though the Company maintains its registered office and permanently employs administrative personnel in Panama.

Taxation of Capital Gains. There are no taxes on capital gains realized by an individual or corporation regardless of its nationality or residency on the sale or other disposition of Shares on the basis of the already mentioned principles of territorial taxation, inasmuch as the value of such Shares is ultimately determined upon assets and activities which are held or conducted almost entirely outside of Panama.

Taxation of Distributions. Dividends and similar distributions paid by the Company in respect to Shares are also exempted from dividend taxes, otherwise payable by withholding at source on such income, under the aforementioned territorial principles of taxation since Panamanian dividend taxes do not arise on dividends and similar distributions of non-Panamanian source income or on income which is exempt

from Panama's income tax.

The preceding summary of certain Panamanian tax matters is based upon the tax laws of Panama and regulations thereunder currently in effect and is subject to any subsequent change in Panamanian laws and regulations which may come into effect.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA (1)
(Amounts in thousands, except per share amounts)

The following table sets forth selected consolidated financial and operating data for the Company. The selected financial data have been derived from the consolidated financial statements of the Company. The audited consolidated financial statements of the Company for the three years ended December 31, 2000, are included elsewhere herein and have been audited by Arthur Andersen, independent public accountants, whose audit report is also included herein. All of the consolidated financial statements referred to above have been prepared in accordance with U.S. GAAP and are stated in U.S. dollars. The selected consolidated financial and operating data should be read in conjunction with "Item 7.--Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included elsewhere herein.

YEAR ENDED DECEMBER 3

	2000	1999	1998 (9
STATEMENT OF OPERATIONS DATA:			
Net sales	$2,599,411	$2,415,817	$2,773,27
Cost of sales, excluding depreciation and amortization	1,243,485	1,191,883	1,425,24
Gross profit	1,355,926	1,223,934	1,348,03
Operating expenses:			
Selling and distribution	636,739	572,038	657,13
General and administrative	244,551	251,450	222,32
Depreciation and amortization (2)(4)	274,046	214,539	253,11
Amortization of goodwill	35,819	36,284	35,73
Facilities reorganization charges (10)	503,659	35,172	
Total operating expenses	1,694,814	1,109,483	1,168,31
Operating income	(338,888)	114,451	179,71
Interest income	31,933	28,962	12,81
Interest expense	(142,299)	(129,072)	(98,15
Other income (expense), net (3)	(31,662)	(39,296)	22,13
Nonrecurring income, net (4)	-	-	60,48
Income (loss) before income taxes	(480,916)	(24,955)	177,00
Provision for income taxes (4)	21,800	31,254	51,37
Income (loss) before minority interest	(502,716)	(56,209)	125,62
Minority interest in earnings of subsidiaries	1,944	3,695	5,30
Net income (loss)	$ (504,660)	$ (59,905)	$ 120,32
Basic earnings (loss) per share (5)	$ (3.92)	$ (0.46)	$ 0.9
Diluted earnings (loss) per share (5)	$ (3.92)	$ (0.46)	$ 0.9

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998 (9
OTHER DATA:			
Total product unit case volume	1,222,500	1,163,117	1,174,03
Dividends per share	$ 0.24	$ 0.24	$ 0.2
Weighted average shares outstanding (basic) (5)	128,833	129,683	129,53
Weighted average shares outstanding (diluted) (5)	128,833	129,683	130,79
Capital expenditures (6)	$ 123,897	$ 163,203	$ 302,21

Cash Operating Profit.....	$ 386,064	$ 385,544	$ 468,56

	AT DECEMBER 31, (		
	2000	1999	1998 (9
BALANCE SHEET DATA (END OF PERIOD):			
Cash and equivalents.....	$ 191,773	$ 152,648	$ 131,15
Property, plant and equipment, net	1,125,719	1,218,383	1,307,59
Total assets	3,026,321	3,613,122	3,647,69
Total long-term liabilities.....	1,192,981	1,437,834	964,52
Minority interest.....	27,805	27,974	26,24
Shareholders' equity.....	1,167,311	1,751,896	1,978,23

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(1) The results of the Colombian and Venezuelan subsidiaries for all periods, the Mexican subsidiaries for 1997 and 1998 and the Brazilian subsidiaries for 1996 and 1997, have been remeasured in U.S. dollars, the reporting and functional currency, in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation", as it applies to highly inflationary economies such as those in which the subsidiaries operate. See Note 1 of "Notes to Consolidated Financial Statements".

(2) Includes breakage of bottles and cases and amortization expense related to new introductions. See Note 1 of "Notes to Consolidated Financial Statements".

(3) See Note 17 of "Notes to Consolidated Financial Statements".

(4) In the fourth quarter of 1995, a nonrecurring credit of $11.2 million ($6.6 million after taxes and minority interest) was recorded. This credit consisted of a benefit related to the approval by the Brazilian government of credits for sales taxes previously paid on product samples. During 1996, three separate nonrecurring credits of $3.9, $3.2 and $4.5 million were recorded. These credits consisted of the recovery of previously paid excise taxes on refillable plastic containers purchased in prior periods, a net credit relating to the credits for previously paid sales taxes on product samples, and a net credit due to the recovery of previously paid excise taxes on interest charged to customers, respectively. During 1998, Panamco Brasil conducted a study to evaluate the expected future utilization of returnable product presentations in the Brazilian market, having observed accelerated demand for, and utilization of, nonreturnable presentations in the marketplace. The results of this study show that the use of nonreturnable presentations will continue to increase in the Brazilian market. Therefore, the Company has adjusted the carrying value of bottles and cases to reflect their estimated use in the marketplace by charging $36.5 million to the 1998 operating results, increasing total depreciation and amortization expense, and reducing the current year tax provision by $12.1 million. See Note 1 of "Notes to Consolidated Financial Statements". Additionally, Panamco Brasil reversed a contingency reserve recorded in prior years for excise tax credits taken on purchases of concentrate between February 1991 and February 1994. The Company had previously accrued this reserve in the full amount of such credits. Panamco Brasil reversed this reserve in 1998 because during 1998 the Brazilian Supreme Court resolved similar claims of other bottlers in favor of the bottlers. The reversal of the excise tax reserve amounted to $60.5 million and was credited to Nonrecurring income, in the income statement. Income tax credits recorded in this reserve, amounting to $20.0 million, were also reversed and charged directly to income in the provision for income tax in 1998. See Note 10 of "Notes to Consolidated Financial Statements".

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

applicable period. Earnings per share, dividends per share and shares outstanding for all periods have been adjusted to give effect to the two-for-one stock split effected on March 31, 1997.

(6) Does not include purchases of bottles and cases.

(7) Includes six months of net sales and net income of $7.1 million and $0.6 million, respectively, from the acquisition of additional franchises in Costa Rica in 1996.

(8) Includes eight months of net sales and net income of $349.5 million and $49.5 million, respectively, from Panamco Venezuela, and five months of

net sales and net income of $18.6 million and $0.7 million, respectively, from Panamco Nicaragua.

(9) Includes nine months of net sales and net income of $45.1 million and $2.1 million, respectively, from the Panamco Guatemala, and four months of net sales and net income of $4.2 million and $0.9 million, respectively, from R.O.S.A.

(10) Facilities reorganization charges in 2000 are related to goodwill impairment of $350.0 million in Venezuela, write-off of obsolete property, plant, equipment, bottles and cases, charges related to plant closings and disposal of property, plant and equipment, job terminations and severance payments, and nonrecurring charges related to legal contingencies. Facilities reorganization charges in 1999 are related to job terminations and severance payments and write-off of obsolete property, plant, and equipment. See Note 2 of "Notes to Consolidated Financial Statements".

ITEM 7. 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 Panamco and its consolidated subsidiaries. This discussion should be read in conjunction with our audited consolidated financial statements, including the notes to the consolidated financial statements, as of December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000 and the notes thereto included elsewhere herein.

In 1998, "Panamco Central America" group was created, 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, North Latin American Division was created, 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 and amortization of goodwill and noncash facilities reorganization charges.

INFLATION

EFFECT OF INFLATION ON FINANCIAL INFORMATION

Our net sales, and almost all operating costs, in each of Mexico, Brazil, Colombia, Venezuela, Costa Rica, Nicaragua and Guatemala, are denominated in the currency of such country. In accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" ("SFAS 52"), the financial statements of our subsidiaries are remeasured or translated into U.S. dollars for purposes of the preparation of the consolidated financial statements. (See Note 1 of "Notes to Consolidated Financial Statements"). Borrowings and purchases of machinery and equipment are often made in U.S. dollars. During any period when the rate of inflation in a particular country exceeds the rate of devaluation of the local currency against the U.S. dollar, all income statement amounts tend to be higher when translated into U.S. dollars than would be the case in the absence of such an excess. Conversely, if devaluation exceeds inflation, income statement amounts tend to be lower when translated into U.S. dollars.

The following table compares the rate of inflation, as measured by certain national consumer price indices in the seven countries, with the rate of devaluation for the periods shown:

	Year Ended December 31, (1)		
	2000	1999	1998
Mexico			
Inflation	9%	12%	19%
Currency devaluation (revaluation)	1%	(4%)	22%
Brazil			
Inflation	10%	8%	2%
Currency devaluation	9%	48%	8%
Colombia			
Inflation	9%	10%	18%
Currency devaluation	19%	22%	19%
Venezuela			
Inflation	12%	20%	30%
Currency devaluation	9%	15%	12%
Costa Rica			
Inflation	10%	10%	11%
Currency devaluation	7%	10%	11%
Nicaragua			
Inflation	10%	7%	18%
Currency devaluation	6%	10%	12%
Guatemala			
Inflation	5%	5%	8%
Currency devaluation (revaluation)	(1%)	15%	11%

(1) Inflation figures are based on the applicable Consumer Price Index obtained from official local sources from each respective country and currency devaluation figures are based on official U.S. dollar exchange rates at year-end.

The level of inflation has a direct impact on the method used to translate the financial statements from the local currency to the reporting currency. SFAS 52 provides that, in a highly inflationary economy (defined as having cumulative inflation for the three-year period preceding the balance sheet date of approximately 100% or more), the effect of exchange rate fluctuations on the translation is included in the determination of net income for the period and is distributed as gains or losses to the related income statement accounts. Such gains and losses do not affect the income statement

of companies operating in economies which are not considered highly inflationary but are instead included as part of the accumulated other comprehensive income as a component of shareholders' equity.

Beginning in 1998, we discontinued classifying Brazil as a highly inflationary economy and accordingly, the functional currency of our Brazilian operations is the Brazilian real.

Costa Rica, Nicaragua and Guatemala are not classified as highly inflationary economies and the functional currencies for financial reporting purposes under accounting principles generally accepted in the United States are the colon, cordoba and quetzal, respectively.

Colombia and Venezuela are currently classified as highly inflationary economies and accordingly their financial statements have been remeasured into U.S. dollars in accordance with SFAS 52.

In 1997 and 1998, Mexico was classified as a highly inflationary economy. Since 1999, Mexico has not been classified as a highly inflationary economy and as a result the functional reporting currency for Mexico since 1999 has been the Mexican peso.

EFFECT OF INFLATION AND CHANGING PRICES ON OPERATIONS

In addition to high inflation, our operations are carried out in countries which in the past experienced, and may in the future experience, government price controls. While price controls have been a limiting factor, we have been generally effective in the recent past in increasing prices in local currency terms at least at the rate of inflation. All of our costs are affected by inflation rates in the countries in which we

operate. In general, transactions in these countries are effectively tied to inflation either through pricing, contract indexing, statute or informal practice.

Although currently there are no formal price controls on soft drinks in our franchise territories, price and wage controls remain in effect in Mexico and Brazil for certain other products and services, and price increases for soft drinks in Mexico and Colombia are subject to the informal approval of the respective governments.

Our sales also have been, and may in the future be, adversely affected when wages rise more slowly than the rate of inflation, resulting in a loss of consumer purchasing power. This has been the case in Brazil, Venezuela and Colombia recently as a result of the devaluations as discussed above.

In Mexico, Brazil, Colombia, Venezuela, Costa Rica and Nicaragua, income taxes are indexed to reflect the effects of inflation; however, the effects of inflation are calculated differently for purposes of local taxation and financial reporting.

SEASONALITY

All product sales are generally higher during the December holidays and during the hottest and driest periods (with rainfall varying from year to year). For this reason, we typically experience our best results of operations in the second and fourth quarters. However, the seasonality effect is tempered in our case because of the difference in the timing of the summer months in the countries in which we operate. In Brazil, summer occurs during November, December and January, while summer occurs in Mexico, Colombia, Venezuela, Costa Rica, Guatemala and Nicaragua during the months of June, July and August.

FORWARD-LOOKING STATEMENTS

The nature of our operations and the environment in which we operate subject us to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we note the following facts which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied in this document.

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.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth our selected consolidated financial data for the periods indicated, expressed as a percentage of net sales:

	Year Ended December 31,		
	2000	1999	1998
Statement of Operations Data:			
Net sales	100.0%	100.0%	100.0%
Cost of sales	47.8	49.3	51.4
Gross profit	52.2	50.7	48.6

Operating expenses:			
Selling and distribution	24.5	23.7	23.7
General and administrative	9.4	10.4	8.0
Depreciation and amortization	10.5	8.9	9.1
Amortization of goodwill	1.4	1.5	1.3
Facilities reorganization charges	19.4	1.5	-
Total	65.2	46.0	42.1
Operating income (loss)	(13.0)	4.7	6.5
Interest expense, net	(4.3)	(4.1)	(3.1)
Other income (expense), net	(1.2)	(1.6)	0.8
Nonrecurring income, net	-	-	2.2
Income (loss) before income taxe	(18.5)	(1.0)	6.4
Income taxes	0.8	1.3	1.9
Income (loss) before minority interest	(19.3)	(2.3)	4.5
Minority interest	0.1	0.2	0.2
Net income (loss)	(19.4)%	(2.5)%	4.3%

MINORITY INTERESTS IN RESULTS OF OPERATIONS

We conduct our operations through tiers of subsidiaries in which, in some cases, minority shareholders hold interests.

The aggregate minority interest in our income before minority interest during a fiscal period is a function of the relative levels of income generated by each of the consolidated subsidiaries and the percentage of each subsidiary's capital stock owned by minority shareholders. As of December 31, 2000, our ownership interests in our Mexican, Brazilian and Colombian holding companies were approximately 98%, 98% and 97%, respectively. Our ownership interests include acquisitions made in 1997 and 1998 that increased our effective ownership interest in Panamco Mexico, from 74% to 98% and in Panamco Brasil from 96% to 98%. We own 100% of our operations in Costa Rica, Venezuela, Nicaragua and Guatemala. Our country level holding companies own interests ranging from 50% to 100% in our approximately 60 consolidated subsidiaries.

As a result of the net loss at certain of our subsidiaries for the year ended December 31, 2000, minority shareholdings in our consolidated subsidiaries represented an interest in the aggregate of approximately 0.4% of consolidated net loss before minority interest. Because 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.

Income statement and balance sheet data for our subsidiaries Panamco Mexico, Panamco Brasil, Panamco Colombia, Panamco Venezuela and Panamco Central America, are presented on the following pages. The data presented as of and for each of the three years in the period ended December 31, 2000 have been derived from the audited consolidated financial statements of Panamco Mexico, Panamco Colombia, Panamco Venezuela, Panamco Costa Rica, Panamco Nicaragua and Panamco Guatemala, and the audited combined financial statements of Panamco Brasil, as the case may be, which financial statements are not included herein. As set forth in such income statement and balance sheet data, minority interest in the Panamco Mexico, Panamco Brasil and Panamco Colombia subsidiaries and net income attributable to the Panamco Mexico, Panamco Brasil and Panamco Colombia holding companies give effect to minority shareholdings below the country holding company level. Minority interest in the Panamco Mexico, Panamco Brasil and Panamco Colombia holding companies refers to the aggregate minority interest in the net income of the respective country level holding company. Net income attributable to Panamco gives effect to the deduction from net income of the minority interests at both the country level holding company and the subsidiary levels.

PANAMCO MEXICO
(STATED IN THOUSANDS OF U.S. DOLLARS, EXCEPT FOR UNIT CASES)

	YEAR ENDED DECEMBER 31,		
	2000	1999	199
STATEMENTS OF OPERATIONS DATA:			
Net sales	$ 974,846	$ 794,812	$ 638,
Cost of sales, excluding depreciation and amortization	431,138	374,506	306,
Operating expenses, excluding facilities reorganization charges	393,599	287,118	237,
Facilities reorganization charges	30,454	-	
Operating income	119,655	133,188	95,
Interest expense, net	(12,361)	(11,849)	(9,
Other income, net	967	7,589	10,
Income before income taxes	108,261	128,928	96,
Provision for income tax	41,127	41,849	30,
Income before minority interest	67,134	87,079	65,
Minority interest in Panamco Mexico subsidiaries	2,528	3,288	2,
Net income attributable to Panamco Mexico holding company	64,606	83,791	63,
Minority interest in Panamco Mexico holding company	1,202	1,556	1,
Net income attributable to Panamco	$ 63,404	$ 82,235	$ 61,
UNIT CASE SALES DATA (IN MILLIONS):			

Soft drinks	285.8	270.0	25
Water	164.2	136.4	11
Other products	2.6	2.3	
OTHER DATA:			
Depreciation and amortization	$ 71,336	$ 40,356	$ 37,
Capital expenditures	$ 57,296	$ 57,919	$ 64,
Cash operating profit	$ 200,663	$ 173,544	$ 132,

	AT DECEMBER 31,		
	2000	1999	19
BALANCE SHEET DATA:			
Cash and equivalents	$ 58,394	$ 38,937	$ 10
Property, plant and equipment, net	320,618	299,856	258
Total assets	617,281	572,359	459
Total debt	120,440	107,418	15
Total liabilities	291,020	243,088	206
Minority interest in Panamco Mexico subsidiaries	6,682	5,217	2
Shareholders' equity	319,579	324,054	251

PANAMCO BRASIL
(Stated in thousands of U.S. dollars, except for unit cases)

	YEAR ENDED DECEMBER 31,		
	2000	1999	199
STATEMENT OF OPERATIONS DATA:			
Net sales	$ 496,488	$ 500,683	$ 897,
Cost of sales, excluding depreciation and amortization	305,967	305,935	546,
Operating expenses, excluding facilities reorganization charges	169,711	187,099	341,
Facilities reorganization charges	23,651	5,142	
Operating income (loss)	(2,841)	2,507	10,
Interest expense, net	(12,238)	(14,743)	(21,
Other expense, net	(16,565)	(36,570)	(10,
Nonrecurring income, net	-	-	60,
Income (loss) before income taxes	(31,644)	(48,806)	38,
Provision (benefit) for income tax	(15,020)	(31,765)	2,
Income (loss) before minority interest	(16,624)	(17,041)	35,
Minority interest in Panamco Brasil holding company	(202)	(299)	
Net income (loss) attributable to Panamco	$ (16,422)	$ (16,742)	$ 34,
UNIT CASE SALES DATA (IN MILLIONS):			
Soft drinks	236.9	235.9	2

Beer	67.5	63.3	
Water	14.6	12.7	
OTHER DATA:			
Depreciation and amortization	$ 30,246	$ 32,763	$ 83,
Capital expenditures	$ 7,596	$ 22,686	$ 62,
Cash operating profit	$ 42,243	$ 35,270	$ 94,

	AT DECEMBER 31,		
	2000	1999	19
BALANCE SHEET DATA:			
Cash and equivalents	$ 6,323	$ 8,563	$ 5,
Property, plant and equipment, net	149,110	195,387	298,
Total assets	424,806	487,374	709,
Total debt	58,586	79,279	119,
Total liabilities	178,547	188,663	320,
Minority interest in Panamco Brasil subsidiaries	2,711	3,167	5,
Shareholders' equity	243,548	295,544	383,

(1) Includes only four months of R.O.S.A.

PANAMCO COLOMBIA
(Stated in thousands of U.S. dollars, except for unit cases)

	YEAR ENDED DECEMBER 31,		
	2000	1999	199
STATEMENT OF OPERATIONS DATA:			
Net sales	$ 386,720	$ 397,014	$ 495,
Cost of sales, excluding depreciation and amortization	166,110	175,522	217,
Operating expenses, excluding facilities reorganization charges	201,040	207,032	215,
Facilities reorganization charges	40,114	1,370	
Operating income (loss)	(20,544)	13,090	62,
Interest expense, net	(4,486)	(6,753)	(5,
Other income (expense), net	(10,852)	2,824	5,
Income (loss) before income taxes	(35,882)	9,161	62,
Provision (benefit) for income tax	(8,277)	966	
Income (loss) before minority interest	(27,605)	8,195	61,
Minority interest in Panamco Colombia subsidiaries holding company	187	107	
Net income (loss) attributable to Panamco Colombia			

holding company	(27,792)	8,088	61,
Minority interest in Panamco Colombia	(764)	223	1,
Net income (loss) attributable to Panamco	$ (27,028)	$ 7,865	$ 59,
UNIT CASE SALES DATA (IN MILLIONS):			
Soft drinks	155.7	153.9	18
Water	34.4	37.2	4
OTHER DATA:			
Depreciation and amortization	$ 64,597	$ 60,548	$ 58,
Capital expenditures	$ 9,104	$ 28,276	$ 69,
Cash operating profit	$ 56,688	$ 73,638	$ 121,

	AT DECEMBER 31,		
	2000	1999	199
BALANCE SHEET DATA:			
Cash and equivalents	$ 42,456	$ 7,396	$ 62,
Property, plant and equipment, net	259,889	292,915	297,
Total assets	459,409	516,327	576,
Total debt	53,816	87,145	123,
Total liabilities	135,249	154,852	211,
Minority interest in Panamco Colombia subsidiaries	1,668	1,568	1,
Shareholders' equity	322,492	359,907	363,

PANAMCO VENEZUELA
(Stated in thousands of U.S. dollars, except for unit cases)

	YEAR ENDED DECEMBER 31,		
	2000	1999	199
STATEMENT OF OPERATIONS DATA:			
Net sales	$ 515,853	$ 512,292	$ 550,
Cost of sales, excluding depreciation and amortization	240,204	236,197	264,
Operating expenses, excluding facilities reorganization charges	292,239	267,691	263,
Facilities reorganization charges	49,483	28,660	
Operating income (loss)	(66,073)	(20,256)	23,
Interest expense, net	(24,816)	(18,028)	(9,
Other income (expense), net	1,002	(3,337)	17,
Income (loss) before income taxes	(89,887)	(41,621)	31,
Provision (benefit) for income tax	(8,173)	8,353	2,
Net income (loss) attributable to Panamco	$ (81,714)	(49,974)	$ 28,

UNIT CASES SALES DATA (IN MILLIONS):			
Soft drinks	156.5	151.7	19
Water	22.6	18.4	1
Beer	1.9	0.5	
Other products	6.3	6.8	
OTHER DATA:			
Depreciation and amortization	$ 96,804	$ 71,156	$ 65,
Capital expenditures	$ 30,408	$ 33,183	$ 68,
Cash operating profit	$ 53,568	$ 69,800	$ 88,

	AT DECEMBER 31,		
	2000	1999	199
BALANCE SHEET DATA:			
Cash and equivalents	$ 21,575	$ 35,872	$ 31,
Property, plant and equipment, net	305,017	339,417	355,
Total assets	469,278	566,371	589,
Total debt	182,137	188,000	16,
Total liabilities	354,129	364,259	330,
Shareholders' equity	115,149	202,112	259,

PANAMCO CENTRAL AMERICA
(COSTA RICA, NICARAGUA AND GUATEMALA)
(Stated in thousands of U.S. dollars, except for unit cases)

	YEAR ENDED DECEMBER 31,		
	2000	1999	199
STATEMENT OF OPERATIONS DATA:			
Net sales	$ 225,504	$ 212,074	$ 190,
Cost of sales, excluding depreciation and amortization	103,069	100,781	90,
Operating expenses, excluding facilities reorganization charges	92,804	84,261	76,
Facilities reorganization charges	6,598	-	
Operating income	23,033	27,032	22,
Interest expense, net	(729)	(1,843)	(4,
Other income (expense), net	(2,595)	(5,692)	2,
Income before income taxes	19,709	19,497	21,
Provision for income tax	4,021	5,468	5,
Net income attributable to Panamco	$ 15,688	$ 14,029	$ 15,
UNIT CASE SALES DATA (IN MILLIONS):			
Soft drinks	70.2	69.7	6
Water	2.7	3.6	

Other products	0.6	0.6	
OTHER DATA:			
Depreciation and amortization	$ 17,652	$ 17,990	$ 15,
Capital expenditures	$ 17,363	$ 21,139	$ 38,
Cash operating profit	$ 43,790	$ 45,022	$ 37,

	AT DECEMBER 31,		
	2000	1999	199
BALANCE SHEET DATA:			
Cash and equivalents	$ 15,742	$ 8,496	$ 9,
Property, plant and equipment, net	104,803	104,478	105,
Total assets	192,628	181,255	174,
Total debt	13,780	16,299	44,
Total liabilities	80,683	67,861	86,
Shareholders' equity	111,945	113,394	87,

Includes only nine months of Panamco Guatemala.

2000 COMPARED TO 1999

CONSOLIDATED RESULTS OF OPERATIONS

Net sales increased 7.6% to $2.6 billion in 2000 from $2.4 billion in 1999, mainly due to an increase of 5.1% in consolidated unit case sales volume. Total unit cases sales increased to 1,222.5 million cases from 1,163.1 million unit cases in the 1999. Soft drink sales volume for the period increased by 2.7%, reflecting increases of 5.9% in Mexico, 3.2% in Venezuela, 0.7% in the Central American Region, 1.1% in Colombia and 0.4% in Brazil. Unit case sales volume of bottled water increased 14.4% to 238.4 million, and beer, sold in Brazil and Venezuela, increased 8.8% to 69.4 million unit cases.

The cost of sales as a percentage of net sales decreased to 47.8% in 2000, from 49.3% in 1999. This decrease resulted primarily from cost savings in raw materials and packaging in several countries due to improved procurement contracts.

The following comments reflect the consolidated results of operations excluding the recording of facilities reorganization charges, asset write-downs presented as part of depreciation, and nonoperating charges totaling $494.2 million ($27.7 million in 1999), net of the related tax benefit of $46.5 million ($11.9 million in 1999):

Operating expenses as a percentage of net sales increased slightly to 44.6% in 2000 from 44.5% in 1999, mainly as a result of the corporate office move to Miami and a one-time charge of $4.0 million related to senior management changes.

Operating income increased 30.9% to $195.9 million from $149.6 million in 1999, primarily as a result of the initial benefits of the reorganization program. Cash operating profit increased 18.5% to $474.6 million in 2000 from

$400.4 million in 1999.

Net interest expense increased to $110.4 million in 2000 from $100.1 million in 1999, due primarily to an increase in the average variable London Inter-Bank Offered Rate ("LIBOR") interest rate. Total net debt decreased to $1,062.0 million at December 31, 2000 from $1,195.5 million at December 31, 1999.

Other expense, net decreased to $25.7 million in 2000 from $34.9 million in 1999, primarily caused by a $22.5 decrease in foreign exchange losses in Brazil due to a 48.0% devaluation of the Brazilian real during 1999, partially offset by a loss in sale of investments of $4.8 million, a $4.7 million decrease in operating income from non-bottling subsidiaries, and a $3.2 million decrease in capital expenditure incentives from The Coca-Cola Company.

The consolidated effective income tax rate decreased to 114.2% in 2000 from 295.2% in 1999, as a result of the effect of the asset tax (minimum tax) in Venezuela and our decision to establish a valuation allowance on benefits of tax loss carry-forwards from prior years in Venezuela because of the uncertainty that we would have sufficient taxable income in the near term to offset against such benefits in 1999.

As a result of the foregoing, Panamco had a net loss in 2000 of $10.5 million, or $0.08 per share (basic and diluted), compared to a net loss of $32.2 million, or $0.25 per share (basic and diluted), during 1999.

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.

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, 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, compared to facilities reorganization charges totaling $27.7 million, net of the related tax benefit of $11.9 million in 1999.

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 and 1999:

2000			1999
TOTAL	FOURTH QUARTER	FIRST QUARTER	TOTAL