PANAMERICAN BEVERAGES INC
Form 10-Q
November 14, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

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

FOR THE TRANSITION PERIOD FROM ___________ TO ___________

COMMISSION FILE NUMBER 1-12290

PANAMERICAN BEVERAGES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Republic of Panama	Not Applicable
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

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

33126
(Zip Code)

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common and preferred stock, par value $0.01 per share, as of November 7, 2001 were:

Class A Common Stock:	113,481,026
Class B Common Stock:	8,697,405
Class C Preferred Stock:	2

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PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Stated in thousands of United States of America ("U.S.") dollars)
(Unaudited)

	September 30, 2001	December 31, 2000
ASSETS		
Current Assets:		
Cash and equivalents	$ 104,456	$ 191,773
Accounts receivable, net	108,842	138,473
Inventories, net	91,399	105,439
Other current assets	22,383	30,268
Total Current Assets	327,080	465,953
Investments	25,350	158,006
Property, plant and equipment, net	1,025,256	1,125,719
Bottles and cases, net	213,677	236,527
Cost in excess of net assets acquired, net	865,238	903,683
Other assets	118,290	136,433
Total Assets	$ 2,574,891	$ 3,026,321
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 183,157	$ 171,239
Current portion of long-term obligations	38,659	184,889
Bank loans	64,478	40,295
Other accrued liabilities	135,103	241,801
Total Current Liabilities	421,397	638,224
Long-term Liabilities:		
Long-term obligations, net of current portion	886,571	1,028,575
Other liabilities	173,131	164,406
Total Long-term Liabilities	1,059,702	1,192,981
Total Liabilities	1,481,099	1,831,205

(Continued)

PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Stated in thousands of United States of America ("U.S.") dollars)
(Unaudited)

	September 30, 2001	December 31, 2000
Commitments and contingencies		
Minority interest in consolidated subsidiaries	29,044	27,805
SHAREHOLDERS' EQUITY		
Class C preferred stock, $0.01 par value; 50,000 shares authorized; 2 shares issued and outstanding at September 30, 2001 and December 31, 2000, respectively	-	-
Class A common stock, $0.01 par value; 136,936,684 and 136,745,820 shares issued and 114,706,756 and 119,742,584 shares outstanding at September 30, 2001 and December 31, 2000, respectively	1,367	1,367
Class B common stock, $0.01 par value; 11,075,178 and 11,266,042 shares issued and 8,697,411 and 8,888,435 shares outstanding at September 30, 2001 and December 31, 2000, respectively	113	113
Capital in excess of par value	1,591,819	1,585,498
Retained earnings	119,425	50,632
Accumulated other comprehensive loss	(470,889)	(399,541)
	1,241,835	1,238,069
Less - 24,607,695 and 19,380,843 treasury shares held at September 30, 2001 and December 31, 2000, respectively, at cost	(177,087)	(70,758)
Total Shareholders' Equity	1,064,748	1,167,311
Total Liabilities and Shareholders' Equity	$ 2,574,891	$ 3,026,321

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

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PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Stated in thousands of U.S. dollars, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS EN SEPTEMBER 30	
	2001	2000	2001	
Net sales	$ 638,642	$ 648,180	$ 1,958,105	$ 1
Cost of sales, excluding depreciation and amortization	309,660	304,922	944,123	
Gross profit	328,982	343,258	1,013,982	
Operating expenses:				
Selling, general and administrative	194,406	221,888	612,404	
Depreciation and amortization	51,680	56,869	161,166	
Amortization of goodwill	6,556	9,344	19,882	
Facilities reorganization charges	-	-	-	
	252,642	288,101	793,452	
Operating income	76,340	55,157	220,530	
Other income (expense):				
Interest income	4,056	8,027	17,806	
Interest expense	(24,222)	(36,122)	(85,295)	
Other expense, net	(3,537)	(5,738)	(7,467)	
Income (loss) before income taxes	52,637	21,324	145,574	
Provision for income taxes	20,740	19,663	49,217	
Income (loss) before minority interest	31,897	1,661	96,357	
Minority interest in earnings of subsidiaries	1,787	1,197	4,684	
Net income (loss)	$ 30,110	$ 464	$ 91,673	$
Basic earnings (loss) per share	$ 0.24	$ 0.00	$ 0.72	$
Basic weighted average shares outstanding, in thousands	124,842	128,733	126,676	
Diluted earnings (loss) per share	$ 0.24	$ 0.00	$ 0.72	$
Diluted weighted average shares outstanding, in thousands	126,191	129,147	127,878	

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

PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in thousands of U.S. dollars)
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
Net cash provided by operating activities	$ 240,900	$ 207,938
Cash flows from investing activities:		
Capital expenditures	(56,163)	(96,497)
Purchases of bottles and cases	(32,131)	(49,062)
Purchases of investments	(428)	(4,000)
Proceeds from sale of investments	127,720	25,000
Proceeds from sale of property, plant and equipment	25,711	17,713
Other	(454)	(36)
Net cash provided by (used in) investing activities	64,255	(106,882)
Cash flows from financing activities:		
Payment of bank loans and other long-term obligations	(407,279)	(144,192)
Proceeds from bank loans and other long-term obligations	151,492	75,162
Issuance of capital stock	9,316	412
Share repurchase	(109,323)	(11,772)
Payment of dividends to minority interest	(1,057)	(759)
Payment of dividends to shareholders	(22,880)	(23,178)
Net cash used in financing activities	(379,731)	(104,327)
Effect of exchange rate changes on cash and cash equivalents	(12,741)	(1,962)
Net decrease in cash and equivalents	(87,317)	(5,233)
Cash and equivalents at beginning of period	191,773	152,648
Cash and equivalents at end of period	$ 104,456	$ 147,415
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid during the year for:		
Interest (net of capitalized interest)	$ 81,825	$ 96,868
Income taxes	$ 72,846	$ 59,850
NONCASH ACTIVITIES:		
Write-off of property, plant and equipment against accrued facilities reorganization charges	$ -	$ 39,533

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

PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES

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

(1) BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements included herein have been prepared by Panamerican Beverages, Inc. (the "Company"), in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's consolidated financial position as of September 30, 2001 and December 31, 2000, and the consolidated results of operations for the three and nine months ended September 30, 2001 and 2000. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the SEC.

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

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

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

(1) BASIS OF PRESENTATION, CONTINUED

	THREE MONTHS ENDED	NINE MONTHS ENDED

(Tables stated in thousands of U.S. dollars)

	SEPTEMBER 30,		SEPTEMBER 30,	
	2001	2000	2001	2000
Net sales	$ 161	$ (227)	$ 275	$ (630)
Cost of sales and operating expenses	890	1,886	2,456	7,640
Interest and other income (expense), net	1,379	727	3,499	1,573
Provision (benefit) for income taxes	(149)	1	(85)	1,508
Net translation gain	$ 2,281	$ 2,387	$ 6,145	$10,091

(2) NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and the pooling-of-interests method will be prohibited. The remaining provisions of SFAS No. 141 will be effective for transactions accounted for using the purchase method that are completed after June 30, 2001. Under SFAS No. 142, goodwill and certain intangible assets are no longer subject to amortization over its estimated useful life, but instead will be subject to an impairment test to be performed at least annually. The provisions of SFAS No. 142 will be effective for fiscal years beginning after December 15, 2001, and will therefore be adopted by the Company beginning on January 1, 2002. The Company is currently reviewing the statements to determine the overall effect on the Company, but expects that the adoption of SFAS No. 142 will lower fiscal year 2002 amortization expense by approximately $26.0 million.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of" and Accounting Principles Board Opinion ("APB") No. 30, "Reporting the Results of Operations - Reporting the Effects of the Disposal of a Segment Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 establishes a single accounting model for assets to be disposed of by sale whether previously held and used or newly acquired. SFAS No. 144 retains the provisions of APB No. 30 for presentation of discontinued operations in the income statement, but broadens the presentation to include a component of an entity. SFAS 144 is effective for fiscal years beginning after December 15, 2001 and the interim periods within. The Company does not believe that the adoption of SFAS No. 144 will have a material impact on its consolidated results of operations.

(2) NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS, CONTINUED

In April 2001, the Emerging Issues Task Force ("EITF") of the FASB reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services." This issue addresses the income statement classification of various sales incentives such as slotting fees, cooperative advertising arrangements and buydowns. EITF 00-25 requires that such customer promotional payments that are currently classified as selling and distribution expenses be classified as a reduction of net sales. Had the Company applied EITF 00-25 to its year-to-date fiscal 2001, this would have resulted in a $7.8 million reclassification between net sales and selling and distribution expense. The adoption of EITF 00-25 will have no impact on operating income, net income or earnings per share. The Company will adopt EITF 00-25 for fiscal quarters beginning after December 15, 2001.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125." SFAS No. 140 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. Those standards are based on consistent application of a financial-components approach that focuses on control. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, de-recognizes financial assets when control has been surrendered, and de-recognizes liabilities when extinguished. SFAS No. 140 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The Company adopted SFAS No. 140 on March 31, 2001. The adoption of this standard did not have a material effect on its financial position or results of operations.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires the recognition of all derivatives on the consolidated balance sheet at fair value. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income immediately. The ineffective portion of a hedge's change in fair value is recognized in income. The Company adopted SFAS No. 133, as amended, on January 1, 2001. The adoption of SFAS No. 133, on January 1, 2001, resulted in a reduction in other comprehensive income of approximately $3.0 million. The Company also recorded an additional reduction of $3.3 million and $8.0 million in other comprehensive income relating to the change in fair value of the cash flow hedge for the quarter and nine months ended September 30, 2001, respectively and an unrealized holding gain of $1.0 million and $0.9 million relating to the change in fair value of the fair value hedge for the quarter and nine months ended September 30, 2001, respectively.

(Tables stated in thousands of U.S. dollars)
(Unaudited)

(3) Earnings (Loss) per Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Numerator:				
Net income (loss)	$ 30,110	$ 464	$ 91,673	$ (59,514)
Denominator (in thousands):				
Denominator for basic earnings (loss) per share	124,842	128,733	126,676	128,869
Effect of dilutive securities:				
Options to purchase common stock and restricted stock	1,349	414	1,202	-
Denominator for diluted earnings (loss) per share	126,191	129,147	127,878	128,869
Earnings (loss) per share:				
Basic	$ 0.24	$ 0.00	$ 0.72	$ (0.46)
Diluted	$ 0.24	$ 0.00	$ 0.72	$ (0.46)
Anti-dilutive securities not included in the diluted earnings (loss) per share calculation:				
Options to purchase common stock (in thousands)	2,053	2,189	2,053	5,260
Exercise prices:	$ 19.25 to $ 29.94	$ 19.62 to $ 29.94	$ 19.25 to $ 29.94	$ 13.75 to $ 29.94

The Company declared cash dividends of $0.06 and $0.18 per share of common stock for the three and nine months ended September 30, 2001 and 2000.

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

(4) REORGANIZATION PROGRAMS

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

Facilities Reorganization Charges - During the year ended December 31, 2000, the Company recorded $503.7 million of facilities reorganization charges, of which $79.9 million was recorded during the first quarter and $423.8 million was recorded during the fourth quarter. These charges are primarily the result of the $350.0 million write-down of goodwill, attributable to Panamco Venezuela; the write-off of noncash items of property, plant and equipment, obsolete bottles and cases and nonrecurring charges (related to legal contingencies) amounting to $65.1 million; and cash items relating primarily to severance payments, job terminations and reorganization of the distribution system of the Venezuelan and Brazilian subsidiaries amounting to $88.6 million.

Severance payments recorded during 2000 relate to the termination of approximately 10,000 employees across all levels and operating units of the Company. Approximately 7,600 employees had been terminated by the Company as of September 30, 2001.

Nonoperating Charges - During the year ended December 31, 2000, the Company recorded $6.0 million of charges, of which $5.4 million were recorded in the first quarter and $0.6 million were recorded in the fourth quarter, related to the disposal of nonoperating assets, including land of some of the operating plants, which are presented as part of other expense, net.

As a result of the facilities reorganization charges and nonoperating charges, the Company recorded a tax benefit of $46.5 million, of which $23.4 million was recorded in the first quarter of 2000 and $23.1 million was recorded in the fourth quarter of fiscal 2000.

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

	YEAR ENDED DECEMBER 31, 2000		
	CASH	NONCASH	TOTAL
Restructuring charges	$ 86,677	$ 24,814	$111,491
Asset write-offs	1,894	381,637	383,531
Nonrecurring charges	-	8,637	8,637
	88,571	415,088	503,659
Nonoperating charges	-	5,977	5,977
Gross charges	$ 88,571	$421,065	509,636
Income tax benefit			46,516

Net charges	$463,120

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

(4) REORGANIZATION PROGRAMS, CONTINUED

The following tables show the status of the balance of the reorganization accrual and asset write-down allowance at September 30, 2001 and December 31, 2000. Balances of $14.8 million and $47.9 million related to accrued facilities reorganization costs are reflected in other accrued liabilities and balances of $5.4 million and $7.8 million are reflected in other long-term liabilities in the condensed consolidated balance sheets at September 30, 2001 and December 31, 2000, respectively:

	BALANCE AT DECEMBER 31, 2000	SEVERANCE, OTHER CASH PAYMENTS AND NONCASH APPLICATIONS	BALANCE AT SEPTEMBER 30, 2001
Job termination and severance payments	$ 44,899	$ 30,286	$ 14,613
Other	10,732	5,218	5,514
Total	$ 55,631	$ 35,504	$ 20,127

	BALANCE AT DECEMBER 31, 1999	CHARGES: CASH	CHARGES: NONCASH	APPLICATIONS: SEVERANCE AND OTHER CASH PAYMENTS	APPLICATIONS: PROPERTY AND EQUIPMENT SOLD	APPLICATIONS: ASSET WRITE-OFFS
Write-off of property and equipment	$ -	$ 2,770	$ 54,451	$ -	$ 6,112	$ 51,109
Job termination and severance payments	-	78,769	-	33,870	-	-
Venezuela goodwill impairment	-	-	350,000	-	-	350,000
Other	-	7,032	10,637	6,937	-	-
Total	$ -	$ 88,571	$415,088	$ 40,807	$ 6,112	$ 401,109

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

(5) INVENTORIES

Inventories consist of:

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
Bottled beverages	$ 30,943	$ 31,745
Raw materials	35,879	41,675
Spare parts and supplies	29,428	35,473
	96,250	108,893
Less - Allowance for obsolete and slow moving items	(4,851)	(3,454)
	$ 91,399	$ 105,439

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

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

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
Property, plant and equipment	$ 1,943,432	$ 1,996,820
Less - Accumulated depreciation	(918,176)	(871,101)
	1,025,256	1,125,719
Bottles and cases, net	213,677	236,527
	$ 1,238,933	$ 1,362,246

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

(7) TRANSACTIONS WITH RELATED PARTIES

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

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
Accounts receivable:		
Subsidiaries of The Coca-Cola Company	$ 8,113	$ 7,934
Subsidiaries of Cervejarias Kaiser, S.A.	1,692	2,532
	$ 9,805	$ 10,466
Accounts payable:		
Subsidiaries of The Coca-Cola Company	$ 19,373	$ 17,076
Productos de Vidrio, S.A.	1,967	-
Central Azucarero Portuguesa, C.A.	3,126	-
Tapon Corona de Colombia, S.A.	1,396	994
Comptec, S.A.	61	976
Other	194	773
	$ 26,117	$ 19,819

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
Income:				
Marketing expense support (recorded net against marketing expenses)	$ 6,708	$ 8,886	$ 22,393	$ 29,565
Other	929	95	2,241	964
	$ 7,637	$ 8,981	$ 24,634	$ 30,529

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

(7) TRANSACTIONS WITH RELATED PARTIES, CONTINUED

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
Expenses:				

(Tables stated in thousands of U.S. dollars)

Purchase of concentrate	$ 85,115	$ 88,040	$ 261,172	$ 232,161
Purchase of beer	12,552	13,679	41,330	42,252
Purchase of other inventories	6,155	5,694	25,304	19,223
	$103,822	$107,413	$ 327,806	$ 293,636
Capital expenditure incentives received in cash	$ 544	$ -	$ 1,892	$ -

(8) OTHER TRANSACTIONS

On February 22, 2001, Panamco de Venezuela, S.A. ("Panamco Venezuela") entered into an agreement with Chase Manhattan Bank, as arranger and administrative agent, to obtain a one-year loan in the amount of $25.0 million, guaranteed by the Company. The loan matures on February 21, 2002, with quarterly interest payments with an average annual interest rate of three-month LIBOR plus 1.75% and principal balance payable upon maturity.

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

(8) OTHER TRANSACTIONS, CONTINUED

On April 20, 2001, Spal Industria Brasileira de Bebidas, S.A. (a subsidiary of the Company in Brazil, "Spal") entered into a credit agreement with BankBoston, N.A. as lender, to obtain two loans of $30.0 million in the aggregate, guaranteed by the Company. The first loan amounts to $10.0 million and matures on April 16, 2002, with semi-annual interest payments with an annual interest rate of 6.65% and principal balance payable upon maturity. The second loan amounts to $20.0 million, with semi-annual interest payments with an annual interest rate of 6.65% and principal balance of $5.0 million payable on April 16, 2002 and principal balance of $15.0 million payable on April 10, 2003. On the date of the loan, Spal also entered into four swap agreements with BankBoston, N.A. to exchange the dollar denominated debt totaling $30.0 million. The terms of the swap agreements are as follows: R2,109,870 (Brazilian reals) maturing on October 16, 2001; R32,753,046 maturing on April 15, 2002; R994,334 maturing on October 11, 2002; and R29,788,731 maturing on April 9, 2003. All four swap agreements have an interest rate of 90% of CDI (the Brazilian borrowing rate).

On May 30, 2001, Panamco Venezuela entered into a credit agreement with Comerica Bank as lender, to obtain a two-year loan in the amount of $15.0 million, guaranteed by the Company. The loan matures on May 30, 2003, with semi-annual interest payments with an average annual interest rate of six-month LIBOR plus 2.50% and principal balance payable upon maturity. On September 4, 2001, Panamco Venezuela entered into an amendment agreement (the "First Amendment to Term Credit Agreement") to the $15.0 million credit agreement entered with the lender. Pursuant to the First Amendment to Term Credit Agreement, the lender reduced the average annual interest rate of six-month LIBOR plus 2.50% to six-month LIBOR plus 1.60% with interest payable semi-annually.

On June 1, 2001, Spal entered into a credit agreement with Citibank, N.A. as lender, to obtain a two-year loan in the amount of $15.0 million, guaranteed by the Company. The loan matures on June 4, 2003, with semi-annual interest payments with an average annual interest rate of six-month LIBOR plus 1.15% and principal balance payable upon maturity.

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

(8) OTHER TRANSACTIONS, CONTINUED

On June 5, 2001, Panamco Venezuela entered into a credit agreement with Banco Santander Central Hispano, S.A. as lender, to obtain a one-year loan in the amount of $10.0 million, guaranteed by the Company. The loan matures on June 6, 2002, with quarterly interest payments with an average annual interest rate of three-month LIBOR plus 1.30% and principal balance payable upon maturity.

On June 27, 2001, Panamco Venezuela entered into an amendment agreement with BankBoston, N.A. in order to extend the maturity of a $15.0 million credit agreement until June 27, 2002. The loan is guaranteed by the Company, with quarterly interest payments at an average annual interest rate of three-month LIBOR plus 2.0% and principal balance payable upon maturity.

On September 5, 2001, Panamco Venezuela entered into a financial lease agreement with Citibank, N.A. as lender, to lease approximately 110 distribution trucks amounting to approximately $5.7 million, guaranteed by the Company. The lease agreement has a term of five years, with semi-annual interest payments with an average annual interest rate of 8.86%.

On September 14, 2001, Panamco Nicaragua entered into a credit agreement with Citibank, N.A. as lender, to obtain a one-year loan in the amount of $6.5 million, guaranteed by the Company. The loan matures on September 13, 2002, with quarterly interest payments with an average annual interest rate of three-month LIBOR plus 1.05% and principal balance payable upon maturity.

On September 24, 2001, the Company entered into a credit agreement with The Chase Manhattan Bank as lender, to obtain a loan in the amount of $10.0 million. The loan matures on December 19, 2001, with monthly interest payments with an average annual interest rate of one-month LIBOR plus 0.95% and principal balance payable upon maturity.

(9) SHARE REPURCHASE PROGRAM

On December 9, 1999, the Board of Directors authorized a $100.0 million share repurchase program of the Company's Class A Common Stock (the "Share Repurchase Program") in accordance with the anti-market-manipulation safe harbor of Rule 10b-18 promulgated under the Securities Exchange Act of 1934. The Share Repurchase Program was supplemented with $25.0 million increases on each of July 20, 2001 and September 6, 2001. In addition to this $150.0 million authority, the Share Repurchase Program also provides for repurchases of shares from independent brokers by the Company (currently totalling $4.8 million) made in connection with employees' stock option exercises. Company shares may be purchased in the open market or in privately negotiated transactions, depending on market conditions and other factors.

(9) SHARE REPURCHASE PROGRAM, CONTINUED

The Company has repurchased 5,795,800 shares amounting to $109.6 million (including brokerage commissions) at an average price per share of $18.91 during the nine months ended September 30, 2001. From the Share Repurchase Program's inception on December 9, 1999 to September 30, 2001, the Company has repurchased 6,949,800 shares for a total amount of $130.8 million (including brokerage commissions) at an average price per share of $18.83.

(10) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes net income (loss), foreign currency translation and unrealized gains (losses) on derivative instruments. The comprehensive income (loss) for the three and nine months ended September 30, 2001 and 2000 is as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2001	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2000
Net income (loss)	$ 30,110	$ 464	$ 91,673	$ (59,514)
Other comprehensive income (loss):				
Foreign currency translation	(45,408)	3,988	(60,380)	(18,903)
Unrealized holding loss on derivative financial instruments	(3,274)	-	(10,968)	-
	$ (18,572)	$ 4,452	$ 20,325	$ (78,417)

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

(11) SEGMENTS AND RELATED INFORMATION

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

	NINE MONTHS ENDED SEPTEMBER 30, 2001				
	MEXICO AND CENTRAL AMERICA	BRAZIL	COLOMBIA	VENEZUELA	CORPORAT
Net sales	$ 960,289	$ 309,254	$ 276,811	$ 411,751	$
Operating income (loss)	$ 176,893	$ 10,882	$ 17,502	$ 28,252	$ (12,99
Interest income	$ 7,055	$ 801	$ 3,393	$ 128	$ 6,42
Interest expense	$ (14,807)	$ 309	$ (9,806)	$ (15,041)	$ (45,95
Depreciation and amortization	$ 62,460	$ 15,638	$ 42,379	$ 45,572	$ 14,99
Capital expenditures	$ 41,286	$ 3,576	$ 4,341	$ 6,932	$ 2

	SEPTEMBER 30, 2001				
	MEXICO AND CENTRAL AMERICA	BRAZIL	COLOMBIA	VENEZUELA	CORPORAT
Long-lived assets	$ 660,208	$ 167,510	$ 328,642	$ 348,005	$ 660,99
Total assets	$ 789,751	$ 320,549	$ 384,005	$ 398,446	$ 682,14

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

(11) SEGMENTS AND RELATED INFORMATION, CONTINUED

	NINE MONTHS ENDED SEPTEMBER 30, 2000				
	MEXICO AND CENTRAL AMERICA	BRAZIL	COLOMBIA	VENEZUELA	CORPORAT
Net sales	$ 891,090	$ 356,273	$ 278,850	$ 371,384	$ (175
Operating income (loss)	$ 130,959	$ 5,559	$ (2,559)	$ (27,635)	$ (32,52
Interest income	$ 7,445	$ 1,344	$ 2,855	$ 1	$ 12,17
Interest expense	$ (18,072)	$ (11,358)	$ (5,844)	$ (17,936)	$ (53,84
Depreciation and amortization	$ 53,655	$ 22,435	$ 45,114	$ 56,432	$ 21,84
Capital expenditures	$ 61,958	$ 5,141	$ 6,201	$ 23,197	$
	DECEMBER 31, 2000				
Long-lived assets	$ 617,516	$ 246,149	$ 361,364	$ 385,220	$ 850,95
Total assets	$ 772,698	$ 425,134	$ 457,102	$ 461,486	$ 909,90

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(12) COMMITMENTS AND CONTINGENCIES

On July, 2001, a labor union and several individuals from the Republic of Colombia filed a lawsuit in the U.S. District Court for the Southern District of Florida against the Company (and certain of its subsidiaries) as well as The Coca-Cola Company (and certain of its subsidiaries) and another Coca-Cola bottler in Colombia. In the complaint, the plaintiffs have alleged that the Company has engaged in wrongful acts against the labor union and its members in Colombia, including kidnapping, torture, death threats and intimidation. The complaint alleges claims under the Alien Tort Claims Act, the Torture Victim Protection Act, RICO and state tort law and seeks injunctive and declaratory relief and damages of more than $500.0 million, including treble and punitive damages and the cost of the suit, including attorney fees. In October, the Company filed a motion to dismiss the complaint for lack of subject matter and personal jurisdiction. A ruling on the Company's motion to dismiss the lawsuit is expected in the first quarter of 2002. The Company believes this lawsuit is without merit and intends to vigorously defend itself against this lawsuit.

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

(12) COMMITMENTS AND CONTINGENCIES, CONTINUED

During 1999, a group of independent distributors of Panamco Venezuela commenced a proceeding to incorporate a union of distributors. On September 20, 2001, the Venezuelan Supreme Court rendered its opinion confirming the incorporation of the union, but withheld granting any specific labor rights to the members of the union other than the right to be unionized. In order to obtain specific labor rights, the union (or its members) will have to request to a court of law (with jurisdiction over labor law) to determine if the members of such union can be considered workers pursuant to Venezuelan labor laws, and thereafter claim against Panamco Venezuela the payment of such benefits and rights including retroactive payments. To the Company's knowledge, neither the union nor any of its individual members have initiated any process with the objective of obtaining a court decision on whether the members of the union are subject to the rights and benefits of the Venezuelan labor laws, although certain members of the union have threatened such action. The Company intends to vigorously defend its rights should this action be filed.

PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
SUPPLEMENTARY FINANCIAL INFORMATION

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

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

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
SELECTED STATEMENTS OF OPERATIONS DATA:				
Net sales	$ 328,384	$ 311,462	$ 960,289	$ 891,090
Cost of sales, excluding depreciation and amortization	144,961	136,185	416,085	398,180
Gross profit	183,423	175,277	544,204	492,910
Operating expenses:				
Selling, general and administrative	103,581	99,429	304,851	288,615
Depreciation and amortization	18,773	16,826	60,675	51,245
Amortization of goodwill	601	808	1,785	2,410
Facilities reorganization charges	-	-	-	19,681
	122,955	117,063	367,311	361,951
Operating income	60,468	58,214	176,893	130,959
Interest expense, net	(2,661)	(2,717)	(7,752)	(10,627)
Other income (expense), net	952	(1,768)	532	(1,185)
Income before income taxes	58,759	53,729	169,673	119,147
Provision for income taxes	18,841	17,163	53,512	37,537
Income before minority interest	39,918	36,566	116,161	81,610
Minority interest in Panamco Mexico subsidiaries	1,310	1,189	3,729	2,550
Net income attributable to Panamco				

Mexico holding company and Central America	38,608	35,377	112,432	79,060
Minority interest in Panamco Mexico holding company	620	416	1,765	1,060
Net income attributable to Panamco	$ 37,988	$ 34,961	$ 110,667	$ 78,000
Cash operating profit	$ 79,842	$ 75,848	$ 239,353	$ 195,621
UNIT CASE SALES DATA (IN THOUSANDS):				
Soft drinks	89,641	89,638	261,816	266,508
Water	44,103	44,476	131,447	127,318
Other products	1,509	859	3,559	2,390

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
SELECTED STATEMENTS OF OPERATIONS DATA:				
Net sales:				
Mexico	$ 270,889	$ 255,778	$786,960	$ 725,979
Central America	57,495	55,684	173,329	165,111
UNIT CASE SALES DATA (IN THOUSANDS):				
Mexico:				
Soft drinks	72,277	72,458	209,919	214,705
Water	43,250	43,812	128,962	125,338
Other products	1,030	718	2,404	1,974
Central America:				
Soft drinks	17,364	17,180	51,897	51,803
Water	853	664	2,485	1,980
Other products	479	141	1,155	416

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

	THREE MONTHS ENDED SEPTEMBER 30, 2001	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2000
SELECTED STATEMENTS OF OPERATIONS DATA:				
Net sales	$ 81,821	$ 111,813	$ 309,254	$ 356,273
Cost of sales, excluding depreciation and amortization	53,917	67,181	200,266	217,292
Gross profit	27,904	44,632	108,988	138,981
Operating expenses:				
Selling, general and administrative	22,735	32,736	82,468	99,869
Depreciation and amortization	3,860	7,144	13,933	20,874
Amortization of goodwill	504	541	1,705	1,561
Facilities reorganization charges	-	-	-	11,118
	27,099	40,421	98,106	133,422
Operating income	805	4,211	10,882	5,559
Interest income (expense), net	1,871	(2,794)	1,110	(10,014)
Other expense, net	(2,468)	(6,759)	(8,599)	(12,177)
Income (loss) before income taxes	208	(5,342)	3,393	(16,632)
Benefit from income taxes	(435)	(2,047)	(1,373)	(7,906)
Income (loss) before minority interest	643	(3,295)	4,766	(8,726)
Minority interest in Panamco Brasil holding company	4	(42)	35	(105)
Net income (loss) attributable to Panamco	$ 639	$ (3,253)	$ 4,731	$ (8,621)
Cash operating profit	$ 5,169	$ 11,896	$ 26,520	$ 32,024
UNIT CASE SALES DATA (IN THOUSANDS):				
Soft drinks	50,842	53,909	175,719	169,063
Water	3,832	3,081	12,370	9,921
Beer	15,575	13,758	48,505	43,854
Other products	190	-	254	-

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

	THREE MONTHS ENDED SEPTEMBER 30, 2001	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2000
SELECTED STATEMENTS OF OPERATIONS DATA:				
Net sales	$ 92,496	$ 93,410	$ 276,811	$ 278,850
Cost of sales, excluding depreciation and amortization	43,771	40,367	129,798	118,637
Gross profit	48,725	53,043	147,013	160,213
Operating expenses:				
Selling, general and administrative	26,715	31,111	87,132	99,433
Depreciation and amortization	14,291	15,079	42,171	44,907
Amortization of goodwill	69	207	208	207
Facilities reorganization charges	-	-	-	18,225
	41,075	46,397	129,511	162,772
Operating income (loss)	7,650	6,646	17,502	(2,559)
Interest expense, net	(2,218)	(1,096)	(6,413)	(2,989)
Other income (expense), net	(94)	193	295	(5,405)
Income (loss) before income taxes	5,338	5,743	11,384	(10,953)
Provision (benefit) for income taxes	1,729	1,555	3,514	(3,653)
Income (loss) before minority interest	3,609	4,188	7,870	(7,300)
Minority interest in Panamco Colombia subsidiaries holding company	29	55	83	113
Net income (loss) attributable to Panamco Colombia holding company	3,580	4,133	7,787	(7,413)
Minority interest in Panamco Colombia	97	113	213	(205)
Net income (loss) attributable to Panamco	$ 3,483	$ 4,020	$ 7,574	$ (7,208)
Cash operating profit	$ 22,010	$ 21,932	$ 59,881	$ 49,473
UNIT CASE SALES DATA (IN THOUSANDS):				
Soft drinks	37,993	38,169	113,398	114,071
Water	7,973	8,810	27,007	25,744
Other products	139	-	481	-

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

	THREE MONTHS ENDED SEPTEMBER 30, 2001	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2000
SELECTED STATEMENTS OF OPERATIONS DATA:				
Net sales	$ 135,941	$ 131,568	$ 411,751	$ 371,384
Cost of sales, excluding depreciation and amortization	68,023	61,369	201,317	170,925
Gross profit	67,918	70,199	210,434	200,459
Operating expenses:				
Selling, general and administrative	44,380	51,919	136,610	140,808
Depreciation and amortization	15,152	18,365	45,572	56,432
Facilities reorganization charges	-	-	-	30,854
	59,532	70,284	182,182	228,094
Operating income (loss)	8,386	(85)	28,252	(27,635)
Interest expense, net	(2,409)	(6,966)	(14,913)	(17,935)
Other income, net	1,217	3,941	6,539	3,910
Income (loss) before income taxes	7,194	(3,110)	19,878	(42,380)
Provision (benefit) for income taxes	35	294	(8,694)	(3,620)
Net income (loss) attributable to Panamco	$ 7,159	$ (3,404)	$ 28,572	$ (38,760)
Cash operating profit	$ 23,538	$ 18,280	$ 73,824	$ 46,374
UNIT CASE SALES DATA (IN THOUSANDS):				
Soft drinks	38,369	39,176	114,856	112,346
Water	6,169	6,046	18,599	16,313
Beer	1,044	530	3,026	1,176
Other products	1,350	1,489	4,473	4,605

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

GENERAL

The following discussion addresses the financial condition and results of operations of Panamerican Beverages, Inc. ("Panamco" or "we") and its consolidated subsidiaries. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements as of September 30, 2001 and December 31, 2000 and for the three and nine months ended September 30, 2001 and 2000 and the notes thereto included elsewhere herein. Results for any interim period are not necessarily indicative of results for any full year.

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

In 1998, we created the "Panamco Central America" group, which consists of Panamco Costa Rica, Panamco Nicaragua and Panamco Guatemala. Prior to the second quarter of 2001, the financial condition and results of operations of these three companies were previously reported together in the financial statements entitled Panamco Central America. In February 1999, we formed the North Latin American Division ("NOLAD"), which consists of Panamco Mexico and Panamco Central America. Since the second quarter of 2001, the results of operations of Panamco Mexico and Panamco Central America are reported together in the financial statements entitled Panamco Mexico and Central America.

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

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

concerning such factors is contained in our Registration Statement on Form S-8 as filed with the Securities Exchange Commission ("SEC") as well as other documents filed with the SEC, all of which are available from the SEC.

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

Net sales for the third quarter ended September 30, 2001 decreased 1.5% to $638.6 million from $648.2 million in the 2000 third quarter, mainly due to a reduction of 0.4% in consolidated unit case sales volume and a 41% currency devaluation in Brazil. Excluding Brazil, consolidated net sales increased 3.8%. Total unit case sales decreased to 298.7 million cases from 299.9 million unit cases in the 2000 period. The 0.4% total unit case sale decrease was attributable to total volume decrease of 1.9%, 0.7%, and 0.4% in Colombia, Venezuela and Brazil, respectively, offset by the NOLAD region, where total volume increased 0.2%. Consolidated soft drink and water volumes decreased 1.8% and 0.5%, respectively, whereas consolidated beer volumes increased 16.3%. During the third quarter, Panamco continued to introduce new products, successfully launching Powerade in Mexico, Nicaragua and Colombia as well as Club Kna, a proprietary flavored-water in Colombia and Quatro, a juice-based beverage in Mexico. Year-to-date, Panamco has introduced twelve new products, including three in each of Mexico, Central America and Colombia, two in Venezuela and one in Brazil.

Cost of sales as a percentage of net sales increased to 48.5% during the third quarter of 2001 from 47.0% in the 2000 period. This increase resulted from changes in product mix as well as higher costs of raw materials and currency movements, offset by the benefits created by our cost restructuring programs. On September 3, 2001, the Mexican Government assumed the operations of 27 failing sugar mills in the country. The Government said it will establish a state company to run the mills, which make up about half of the 59 mills existing in the country. The partial nationalization of this industry is expected to have implications on the price of sugar for Panamco in Mexico and prices are expected to increase 15.1% by year-end 2001.

Gross profit as a percentage of net sales decreased to 51.5% during the third quarter of 2001 from 53.0% in the third quarter of 2000, primarily the result of higher raw material prices and currency devaluation particularly in Brazil, where the Brazilian real devalued 41%. This devaluation of the Brazilian real is expected to continue to adversely affect the results of operations of our Brazilian subsidiary for the near term and generally until such time as local currency price increases are sufficient to cover the impact of the devaluation.

Operating expenses as a percentage of net sales decreased to 39.6% during the third quarter of 2001 from 44.4% in the 2000 period, mainly as a result of the benefits of the reorganization program.

Operating income increased 38.4% to $76.3 million during the third quarter of 2001 from $55.2 million in the 2000 period, primarily as a result of a $27.5 million or 12.4% reduction in selling, general and administrative expenses which were positively impacted by the benefits created by our cost restructuring programs. Cash operating profit increased 10.9% to $134.6 million in 2001 from $121.4 million in the third quarter of 2000.

Net interest expense decreased to $20.2 million during the third quarter of 2001 from $28.1 million in the 2000 period, primarily as a result of gross debt reduction of $164.2 million during the quarter and $283.6 million from the 2000 third quarter.

Other expense, net decreased to $3.5 million during the third quarter of 2001 from $5.7 million in the 2000 period, primarily caused by an increase in equity earnings of affiliates, the result of a change in the method of accounting for certain investments, a gain on sale of fixed assets, mainly land sale in Venezuela, and a decrease in miscellaneous costs, offset by an increase in contingency provisions.

The consolidated effective income tax rate decreased to 39.4% during the third quarter of 2001 from 92.2% in the 2000 period. The effective income tax rate of 92.2% in the 2000 period is considered unusual and resulted from the relatively low income during this period and non-deductibility of significant expenses such as amortization of goodwill.

As a result of the foregoing, we recorded net income of $30.1 million during the third quarter of 2001, or $0.24 per share (basic and diluted), compared to net income of $0.5 million, or $0.00 per share (basic and diluted), during the 2000 period.

NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2000

Net sales for the nine months ended September 30, 2001 increased 3.2% to $1.96 billion from $1.90 billion during the same period in 2000, mainly due to an increase of 2.5% in consolidated unit case sales volume. Total unit case sales increased to 915.5 million cases from 893.3 million unit cases in the 2000 period. The 2.5% total unit case sale increase was attributable to total volume increase of 6.3% and 4.8% and soft drink volume increase of 3.9% and 2.2% in Brazil and Venezuela, respectively. Colombia reported total volume increase of 0.8% while soft drink volume declined 0.6%. The NOLAD region had total volume growth of 0.2% while soft drink volume declined 1.8%. Consolidated water and beer volumes grew by 5.6% and 14.4%, respectively. During the third quarter, Panamco continued to introduce new products, successfully launching Powerade in Mexico, Nicaragua and Colombia as well as Club Kna, a proprietary flavored-water in Colombia and Quatro, a juice-based beverage in Mexico. Year-to-date, Panamco has introduced twelve new products, including three in each of Mexico, Central America and Colombia, two in Venezuela and one in Brazil.

Cost of sales as a percentage of net sales increased to 48.2% during nine months ended September 30, 2001 from 47.6% in the 2000 period. This increase resulted from changes in product mix as well as higher costs of raw materials and currency movements, offset by the benefits created by our cost restructuring programs. On September 3, 2001, the Mexican Government assumed the operations of 27 failing sugar mills in the country. The Government said it will establish a state company to run the mills, which make up about half of the 59 mills existing in the country. The partial nationalization of this industry is expected to have implications on the price of sugar for Panamco in Mexico and prices are expected to increase 15.1% by year-end 2001.

Gross profit as a percentage of net sales decreased to 51.8% during the nine months ended September 30, 2001 from 52.4% in the 2000 period, primarily the result of higher raw material prices and currency devaluation in Brazil. This devaluation of the Brazilian real is expected to continue to adversely affect the results of operations of our Brazilian subsidiary for the near term and generally until such time as local currency price increases are sufficient to cover the impact of the devaluation.

The following discussion of the consolidated results of operations excludes the recording of facilities reorganization charges, asset write-offs, and nonoperating charges totalling $60.3 million, net of the related tax benefit of $24.6 million, during the nine months ended September 30, 2000.

Operating expenses as a percentage of net sales decreased to 40.5% during the nine months ended September 30, 2001 from 44.3% in the 2000 period, mainly the result of the benefits obtained from our cost restructuring programs.

Operating income increased 43.5% to $220.5 million during the nine months ended September 30, 2001 from $153.7 million in the 2000 period, primarily the result of increased sales and volume as well as the benefits of the reorganization program. Cash operating profit increased 13.7% to $401.6 million in 2001 from $353.2 million in the 2000 period.

Net interest expense decreased to $67.5 million during the nine months ended September 30, 2001 from $83.2 million in the 2000 period, primarily the result of gross debt reduction of $264.1 million during the nine months of 2001 and $283.6 million from the 2000 period.

Other expense, net decreased to $7.5 million during the nine months ended September 30, 2001 from $13.1 million in the 2000 period, primarily caused by an increase in equity earnings of affiliates, the result of a change in the method of accounting for certain investments, a gain on sale of fixed assets, mainly land sale in Venezuela, and a decrease in contingency provisions, offset by an increase in foreign exchange losses mainly in Brazil.

The consolidated effective income tax rate decreased to 33.8% during the nine months ended September 30, 2001 from 93.8% in the 2000 period. The effective income tax rate of 93.8% in the 2000 period is considered unusual and resulted from the relatively low operating income during this period and non-deductibility of significant expenses such as amortization of goodwill.

As a result of the foregoing, we recorded net income of $91.7 million during the nine months ended September 30, 2001, or $0.72 per share (basic and diluted), compared to net income of $0.7 million, or $0.01 per share (basic and diluted), during the 2000 period.

FACILITIES REORGANIZATION CHARGES

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

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

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

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

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

- Cash restructuring charges totalling 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 totalling approximately $24.8 million, which result from plant closings and the related disposal of property, plant and equipment.

(2) Asset write-offs totalling $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 totalling $8.6 million related to legal contingencies mostly pertaining to tax matters.

II. Asset write-downs totalling $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 totalling $6.0 million related to the disposal of nonoperating assets, including the sale of affiliated companies and land in some of the operating units.

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

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

(STATED IN THOUSANDS OF U.S. DOLLARS)	YEAR ENDED DECEMBER 31, 2000 TOTAL	FOURTH QUARTER	FIRST QUARTER
Depreciation and amortization, excluding goodwill:			
Asset write-downs	$ 31,079	$ 31,079	$ -
Facilities reorganization charges:			
Cash	88,572	48,226	40,346
Noncash	415,087	375,555	39,532
	503,659	423,781	79,878
Other income (expense), net:			
Nonoperating charges	5,976	590	5,386
Gross charges	540,714	455,450	85,264
Tax benefit	(46,516)	(23,111)	(23,405)
Net charges	$ 494,198	$ 432,339	$ 61,859

As of September 30, 2001, we had completed approximately 76% of the total planned workforce reduction. There has been no material change to the expected effects on future earnings and cash flows resulting from the facilities reorganization program, which were previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2000.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended September 30, 2001 and 2000, consolidated cash flow provided by operations was $240.9 million and $207.9 million, respectively. Cash generated from operations was primarily used to pay down $145.0 million of our syndicated loan, to prepay $100.0 million of the remaining outstanding debt with The Coca-Cola Company, to pay down nearly $30.0 million of debt in our Venezuelan operations, and to repurchase $109.3 million of our shares. Cash provided by investing activities included the release of investments in bank deposits for $125.0 million, which guaranteed bank loans obtained by subsidiaries and were therefore previously classified as noncurrent investments, as well as $25.7 million gains on sale of property, plant and equipment. At September 30, 2001, we had consolidated cash and cash equivalents of $104.5 million, a decrease of 45.5% compared to $191.8 million as of December 31, 2000. At September 30, 2001, we had negative working capital of $94.3 million, a 45.3% improvement compared to a negative working capital of $172.3 million as of December 31, 2000. A working capital deficit is not unusual for us and does not indicate a lack of liquidity. We continue to maintain adequate current assets to satisfy current liabilities when they are due and have sufficient liquidity and financial resources to manage our day-to-day cash needs.

Total consolidated indebtedness was $989.7 million as of September 30, 2001, consisting of $590.0 million at the holding company level and $399.7 million of subsidiary indebtedness. As of September 30, 2001, 79.3% of the total debt is dollar denominated and 89.6% is long-term. The $164.2 million reduction in gross debt from $1.15 billion at the end of the second quarter to $989.7 million at the end of the third quarter is mainly the result of a combination of a $145.0 million pay down of our syndicated loan, as well as nearly a $30.0 million reduction in the debt held by our Venezuelan

subsidiary. Approximately $100.0 million of debt in our Mexican operations carry a Standard & Poor's rating of MX-AA and approximately $62.0 million of debt in our Colombian operations carry a Duff & Phelps rating of AAA.

On December 31, 2000, we had a loan with The Coca-Cola Financial Corporation (U.S.), amounting to $100.0 million with an average annual interest rate of three-month LIBOR plus 3.25%. On February 28, 2001, we prepaid the remaining outstanding debt with The Coca-Cola Financial Corporation (U.S.) in the amount of $100.0 million. There was no prepayment penalty.

On December 9, 1999, the Board of Directors authorized a $100.0 million share repurchase program of the Company's Class A Common Stock (the "Share Repurchase Program") in accordance with the anti-market-manipulation safe harbor of Rule 10b-18 promulgated under the Securities Exchange Act of 1934. The Share Repurchase Program was supplemented with $25.0 million increases on each of July 20, 2001 and September 6, 2001. In addition to this $150.0 million authority, the Share Repurchase Program also provides for repurchases of shares from independent brokers by Panamco (currently totalling $4.8 million) made in connection with employees' stock option exercises. Panamco shares may be purchased in the open market or in privately negotiated transactions, depending on market conditions and other factors. We have repurchased 5,795,800 shares amounting to $109.6 (including brokerage commissions) million at an average price per share of $18.91 during the nine months ended September 30, 2001. From the Share Repurchase Program's inception on December 9, 1999 to September 30, 2001, we have repurchased 6,949,800 shares for a total amount of $130.8 million (including brokerage commissions) at an average price per share of $18.83.

Total capital expenditures for the nine months ended September 30, 2001 were $56.2 million, showing a spending reduction of 41.8%, compared to $96.5 million for the nine months ended September 30, 2000. For the year 2001, we expect our capital expenditures to be approximately $86.0 million.

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In July 2001, a labor union and several individuals from the Republic of Colombia filed a lawsuit in the U.S. District Court for the Southern District of Florida against us (and certain of our subsidiaries) as well as The Coca-Cola Company (and certain of its subsidiaries) and another Coca-Cola bottler in Colombia. In the complaint, the plaintiffs have alleged that we have engaged in wrongful acts against the labor union and its members in Colombia, including kidnapping, torture, death threats and intimidation. The complaint alleges claims under the Alien Tort Claims Act, the Torture Victim Protection Act, RICO and state tort law and seeks injunctive and declaratory relief and damages of more than $500 million, including treble and punitive damages and the cost of the suit, including attorney fees. In October, we filed a motion to dismiss the complaint for lack of subject matter and personal jurisdiction. A ruling on our motion to dismiss the lawsuit is expected in the first quarter of 2002. We believe this lawsuit is without merit and intend to vigorously defend ourselves in this matter.

During 1999, a group of independent distributors of Panamco Venezuela commenced a proceeding to incorporate a union of distributors. On September 20, 2001, the Venezuelan Supreme Court rendered its opinion confirming the incorporation of the union, but withheld granting any specific labor rights to the members of the union other than the right to be unionized. In order to obtain specific labor rights, the union (or its members) will have to request to a court of law (with jurisdiction over labor law) to determine if the members of such union can be considered workers pursuant to Venezuelan labor laws, and thereafter claim against Panamco Venezuela the payment of such benefits and rights including retroactive payments. To our knowledge, neither the union nor any of its individual members have initiated any process with the objective of obtaining a court decision on whether the members of the union are subject to the rights and benefits of the Venezuelan labor laws, although certain members of the union have threatened such action. We intend to vigorously defend our rights should this action be filed.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits:

10.1 - First Amendment to the Term Credit Agreement dated as of September 4, 2001, by and among Panamco de Venezuela, S.A., as borrower, Comerica Bank, as lender, and the Company, as guarantor.

10.2 - Financial Lease Agreement dated as of September 5, 2001, by and among Panamco de Venezuela, S.A., as borrower, Citibank, N.A., as lender, and the Company, as guarantor.

10.3 - Promissory Note dated as of September 14, 2001, by and among Panamco de Nicaragua, S.A., as borrower, Citibank, N.A., as lender, and the Company, as guarantor.

10.4 - Credit Agreement dated as of September 24, 2001, between the Company, as borrower, and The Chase Manhattan Bank, as lender.

(b) Reports on Forms 8-K - We did not file any reports on Form 8-K during the three months ended September 30, 2000.

SIGNATURES

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

November 14, 2001

PANAMERICAN BEVERAGES, INC.
(REGISTRANT)

By: /s/ Paulo J. Sacchi

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