PANAMERICAN BEVERAGES INC
Form 10-Q
May 15, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

[ ] 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 (State or other jurisdiction of incorporation or organization)	Not Applicable (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)

(305) 929-0800
(Registrant's Telephone Number, including area code)

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
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APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common and preferred stock, par value $0.01 per share, as of May 10, 2002 were:

Class A Common Stock:	112,524,078
Class B Common Stock:	8,659,863
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, except per share amounts)
(Unaudited)

	March 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and equivalents	$ 90,404	$ 133,666
Accounts receivable, net	194,169	136,614
Inventories, net	101,496	103,040
Other current assets	25,285	27,466
Total current assets	411,354	400,786
Investments	34,701	28,522
Property, plant and equipment, net	1,037,164	1,043,870
Bottles and cases, net	207,408	213,908
Cost in excess of net assets acquired, net	864,003	869,056
Other assets	121,361	136,884
Total assets	$ 2,675,991	$ 2,693,026
LIABILITIES		
Current liabilities:		
Accounts payable	$ 214,113	$ 274,164
Current portion of long-term obligations	75,632	75,439
Bank loans	40,177	35,184
Other accrued liabilities	174,380	184,878
Total current liabilities	504,302	569,665
Long-term liabilities:		
Long-term obligations, net of current portion	847,954	859,619
Other liabilities	163,384	162,756
Total long-term liabilities	1,011,338	1,022,375
Total liabilities	1,515,640	1,592,040

(Continued)

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

(Continued)

	March 31, 2002	December 31, 2001
Commitments and contingencies		
Minority interest in consolidated subsidiaries	28,012	28,541
SHAREHOLDERS' EQUITY		
Class C preferred stock, $0.01 par value; 50,000,000 shares authorized; 2 shares issued and outstanding at March 31, 2002 and December 31, 2001, respectively	-	-
Class A common stock, $0.01 par value; 500,000,000 authorized; 136,974,151 and 136,952,780 shares issued and 112,857,178 and 113,237,031 shares outstanding at March 31, 2002 and December 31, 2001, respectively	1,370	1,369
Class B common stock, $0.01 par value; 50,000,000 authorized; 11,037,711 and 11,059,082 shares issued and 8,659,863 and 8,681,245 shares outstanding at March 31, 2002 and December 31, 2001, respectively	110	111
Capital in excess of par value	1,592,137	1,591,827
Retained earnings	199,270	138,433
Accumulated other comprehensive loss	(452,667)	(458,341)
	1,340,220	1,273,399
Less 26,494,821 and 26,093,586 treasury shares held at March 31, 2002 and December 31, 2001, respectively, at cost	(207,881)	(200,954)
Total shareholders' equity	1,132,339	1,072,445
Total liabilities and shareholders' equity	$ 2,675,991	$ 2,693,026

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

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

	Three Months Ended March 31,	
	2002	2001
Net sales	$ 624,349	$ 644,845
Cost of sales, excluding depreciation and amortization	309,388	316,263
Gross profit	314,961	328,582
Operating expenses:		
General and administrative	201,381	205,682
Depreciation and amortization	44,680	60,236
Nonrecurring items, net	7,802	-
	253,863	265,918
Operating income	61,098	62,664
Other income (expense):		
Interest income	2,743	9,016
Interest expense	(22,621)	(32,604)
Other income (expense), net	45,440	(2,176)
	25,562	(25,764)
Income before provision for income taxes	86,660	36,900
Provision for income taxes	17,461	14,045
Income before minority interest	69,199	22,855
Minority interest in earnings of consolidated subsidiaries	1,017	1,534
Net income	$ 68,182	$ 21,321

Basic earnings per share	$ 0.56	$ 0.17
Basic weighted average shares outstanding	121,761	128,308
Diluted earnings per share	$ 0.56	$ 0.16
Diluted weighted average shares outstanding	$ 122,493	$ 129,528

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

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

	Three Months Ended March 31,	
	2002	2001
Net cash (used in) provided by operating activities	$ (1,020)	$ 81,050
Cash flows from investing activities:		
Capital expenditures	(12,944)	(16,128)
Purchases of bottles and cases	(8,647)	(10,099)
Purchases of investments	(18,911)	-
Proceeds from sale of investments	68,653	52,620
Proceeds from sale of property, plant and equipment	8,827	4,098
Receivable from sale of Kaiser	(55,058)	-
Other	(892)	(1,554)
Net cash (used in) provided by investing activities	(18,972)	28,937
Cash flows from financing activities:		
Payment of bank loans and other	(17,299)	(153,145)
Proceeds from bank loans and other long-term obligations	9,737	74,720
Issuance of capital and treasury stock	633	131
Share repurchase	(7,250)	(13,402)
Payment of dividends to minority interest	(72)	-
Payment of dividends to shareholders	(7,345)	(7,726)
Other	655	-
Net cash used in financing activities	(20,941)	(99,422)
Effect of exchange rate changes on cash and cash equivalents	(2,329)	(2,454)

Net (decrease) increase in cash and equivalents	(43,262)	8,111
Cash and equivalents at beginning of period	133,666	191,773
Cash and equivalents at end of period	$ 90,404	$ 199,884
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid during the year for:		
Interest (net of capitalized interest)	$ 16,346	$ 30,533
Income taxes	$ 20,748	$ 17,081
NONCASH ACTIVITIES:		
Write-off of property, plant and equipment against accrued nonrecurring items	$ 2,023	$ -

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
(Balances in the tables are stated in thousands of U.S. dollars, except per share amounts)
(Unaudited)

(1) BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements included herein have been prepared by Panamerican Beverages, Inc. (the "Company"), in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's consolidated financial position as of March 31, 2002 and December 31, 2001, and the consolidated results of operations for the three months ended March 31, 2002 and 2001. 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 2001 Annual Report on Form 10-K filed with the SEC on April 1, 2002. The Company has made no significant changes in accounting policies from those reflected in the consolidated financial statements included in the 2001 Annual Report on Form 10-K.

The financial statements of the Venezuelan subsidiary 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 remaining subsidiaries are the Mexican peso, Brazilian real, Colombian peso, Costa Rican colon, Nicaraguan cordova and Guatemalan quetzal, which financial statements 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. As of December 31, 2001, the Company discontinued classifying Colombia as a highly inflationary economy, and, accordingly, the functional currency of the Colombian operations was changed from the U.S. dollar to the Colombian peso. For the three months ended March 31, 2002 and 2001, the Company recorded in its condensed consolidated statements of operations a net translation gain of $6.5 million and $3.0 million, respectively.

(2) NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

Reclassifications have been made in the 2001 condensed consolidated statements of operations to conform to classifications used in the current year, in accordance with Emerging Issues Task Force ("EITF") No. 00-25, "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services." EITF 00-25 became effective for the Company beginning January 1, 2002, and requires certain promotional payments made to customers by the Company, that were previously classified as selling and distribution expenses, to be classified as a reduction from net sales. The Company reclassified as a reduction from net sales approximately $3.2 million of selling expenses, which were previously classified as selling and distribution expenses in the condensed consolidated statements of operations for the period ended March 30, 2001.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which requires goodwill to be tested for impairment and written down when impaired, rather than being amortized over useful lives, as previous standards required. SFAS No. 142 became effective for the Company beginning January 1, 2002.

Had the Company adopted SFAS No. 142 on the first day of 2001, first quarter 2001 amortization expense would have been lowered by $6.6 million and net income would have increased $6.2 million (or $0.05 per diluted share) to $27.5 million.

(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 March 31,	
	2002	2001
Numerator:		
Net income	$ 68,182	$ 21,321
Denominator (in thousands):		
Denominator for basic earnings per share	121,761	128,308
Effect of dilutive securities:		
Options to purchase common stock	732	1,220
Denominator for diluted earnings per share	122,493	129,528
Earnings per share:		
Basic	$ 0.56	$ 0.17
Diluted	$ 0.56	$ 0.16

The Company declared and paid cash dividends of $0.06 per share of common stock for the three months ended March 31, 2002.

(4) REORGANIZATION PROGRAMS

During 2000, the Company implemented company-wide reorganization programs designed to improve productivity and strengthen the Company's competitive position in the beverage industry. As of March 31, 2002, approximately 7,700 employees have been terminated by the Company relating to the reorganization programs implemented during 2000. Balances related to accrued facilities reorganization costs of $5.3 million and $6.5 million are reflected in Other accrued liabilities and $6.0 million is reflected in Other long-term liabilities in the condensed consolidated balance sheets at March 31, 2002 and December 31, 2001, respectively. The decrease in accrued facilities reorganization costs during the three months ended March 31, 2002 is related to the continued implementation of the reorganization programs.

(Unaudited)

(5) NONRECURRING ITEMS

During the first quarter of 2002, the Company recorded a gain on the sale of its 12.1% equity stake in Cervejarias Kaiser, S.A. ("Kaiser") as part of a larger transaction in which Molson, Inc. acquired Kaiser and entered into a partnership with Heineken. The sale generated proceeds which include approximately $55.1 million reflected within accounts receivable and $18.9 million in Molson stock recorded as an investment (the Molson stock received by the Company cannot be sold for a period of two years pending the resolution of certain tax contingencies in Brazil, which management is of the opinion that will be resolved in a manner favorable to the Company), and resulted in a gain of $48.6 million, which is included as part of Other income (expense), net. The Company will continue to distribute Kaiser products in its franchise areas in Brazil and the acquisition of Kaiser will not impact this distribution agreement.

During the first quarter, the Company also had nonrecurring charges, net of benefits, approximating $16.6 million, of which $11.6 million is classified as cash charges and $5.0 is classified as noncash charges. The cash charges primarily relate to severance payments for the termination of approximately 600 employees in Mexico and Venezuela and to the payment of excise taxes on soft drink inventories containing high fructose corn syrup in Mexico. The payment of the excise taxes resulted from a law that was suspended shortly after it was initiated. The Company has initiated legal proceedings to seek that the amounts already paid be refunded. The noncash charges primarily relate to the closure of plants in Venezuela and to the sale, at a loss, of the corporate airplane to a related party. The gain on the sale of Kaiser and the total nonrecurring charges, net benefits, had a combined positive after-tax impact on net income of $35.7 million.

(6) TRANSACTIONS WITH RELATED PARTIES

The Company purchases raw materials from various suppliers, including related parties, subject to approval of The Coca-Cola Company ("Coca-Cola"). Such transactions are conducted in the ordinary course of business at negotiated prices comparable to those transactions with other customers and suppliers. The principal components of related party transactions were purchases of concentrates, syrups, sugars, returnable and non-returnable bottles, cans, and caps.

Amounts due from or due to related parties as of March 31, 2002 and December 31, 2001, respectively, are as follows:

	March 31, 2002	December 31, 2001
Accounts receivable:		
Subsidiaries of Coca-Cola	$ 19,799	$ 14,025
Subsidiaries of Kaiser **	1,787	2,485
	$ 21,586	$ 16,510
Accounts payable:		
Subsidiaries of Coca-Cola	$ 21,708	$ 21,842
Productos de Vidrio, S.A.	2,034	2,912

Central Azucarero Portuguesa, C.A.	2,853	1,950
Other	1,996	2,331
	$ 28,591	$ 29,035

** Excludes $55.1 million related to the sale of the Company's investment in Kaiser.

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PANAMERICAN BEVERAGES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Balances in the tables are stated in thousands of U.S. dollars, except per share amounts)
(Unaudited)

The Company had the following significant transactions with related parties:

	Three Months Ended March 31,	
	2002	2001
Income:		
Marketing expense support from Coca-Cola (recorded net against marketing expenses)	$ 7,068	$ 6,360
Kaiser beer distribution fees	1,056	404
Other	259	92
	$ 8,383	$ 6,856
Expenses:		
Purchases of concentrate from Coca-Cola	$ 57,088	$ 56,814
Purchases of beer	10,474	16,140
Purchases of other inventories	25,020	9,618
	$ 95,582	$ 82,572
Capital expenditures received in cash	$ 379	$ 678

On April 22, 2002, the Company sold its corporate airplane for $10.5 million to a trust affiliated with a director of the Company. In connection with this transaction, the Company terminated the operating lease for the airplane by payment to the lending bank of $14.9 million representing the amount outstanding under the lease. The Company believes the terms of this transaction were no less favorable to the Company than could have been obtained from an unaffiliated third party.

(Balances in the tables are stated in thousands of U.S. dollars, except per share amounts)

(7) INVENTORIES

Inventories consist of:	March 31, 2002	December 31, 2001
Bottled beverages	$ 28,896	$ 28,335
Raw materials	47,380	51,837
Spare parts and supplies	31,924	29,637
	108,200	109,809
Less - Allowance for obsolete and slow moving items	6,704	6,769
	$ 101,496	$ 103,040

(8) SHARE REPURCHASE PROGRAM

At December 31, 2001, the Company had completed the $100.0 million share repurchase program adopted in 1999, increased to a total of $150.0 million by two $25.0 million supplements in 2001 (the "1999 Share Repurchase Program"). In the first quarter of 2002, the Company adopted a new program (the "2002 Share Repurchase Program") to repurchase up to $20.0 million of the Company's Class A Common Stock. During the first quarter of 2002, the Company repurchased 442,700 shares for a total amount of $7.3 million under the 2002 Share Repurchase Program.

(9) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes net income, foreign currency translation and unrealized losses on derivative instruments. The comprehensive income (loss) for the three months ended March 31, 2002 and 2001 is as follows:

	2002	2001
Net income	$ 68,182	$ 21,321
Other comprehensive income (loss):		
Foreign currency translation	(5,151)	(20,415)
Unrealized losses on derivative financial instruments	(523)	(7,419)

(Balances in the tables are stated in thousands of U.S. dollars, except per share amounts)

Comprehensive income (loss)	$ 62,508	$ (6,513)
	=========	=========

(10) DERIVATIVE INSTRUMENTS

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133," became effective for the Company on January 1, 2001.

The Company had a floating-to-fixed interest rate swap (the "Swap"), expiring in November 2002, with a total notional amount outstanding at December 31, 2001 of $250.0 million, which exchanges LIBOR for a fixed interest rate of 6.437%. Upon adoption of SFAS No. 133, the Company designated the Swap as a cash flow hedge. During 2001, the Company determined that it was probable that the original forecasted transaction would not continue through the expiration of the Swap and, therefore, discontinued cash flow hedge accounting. During the quarter ended March 31, 2002, the Company recognized an unrealized holding gain, amounting to $0.2 million, included in Other income (expense), net in the Company's condensed consolidated statements of operations. As of March 31, 2002, the fair value of the Swap was $7.5 million recorded in Other accrued liabilities.

The Company uses currency swap arrangements to hedge exchange rate exposure arising from the Company's operations in its international subsidiaries. On December 28, 2001, the Company entered into foreign currency forward purchase contracts, expiring during the first quarter of 2002, with total notional amounts of approximately $23.5 million, which exchange Brazilian reales for U.S. dollars. During the first quarter of 2002, the Company realized losses amounting to approximately $0.3 million recorded in Cost of sales in the Company's condensed consolidated statements of operations. On February 28, 2002, the Company entered into foreign currency forward purchase contracts, expiring during the second quarter of 2002, with total notional amounts of approximately $16.6 million, which exchange Brazilian reales for U.S. dollars. As of March 31, 2002, the fair value of these foreign currency forward purchase contracts was $0.5 million recorded in Other accrued liabilities with the change in fair value recorded in Accumulated other comprehensive loss.

(11) SEGMENTS AND RELATED INFORMATION

The Company operates in the bottling and distribution industries and in markets throughout Latin America. The basis for determining the Company's operating segments is the manner in which financial information is used by the Company in its operations. Management operates and organizes itself according to business units, which comprise the Company's products across geographic locations. The Company evaluates performance and allocates resources based on income or loss from operations. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Long-lived assets constitute total assets less current assets less long-term deferred income taxes less long-term receivables from affiliated companies. Balances reflected in Corporate include eliminating entries that are used in consolidating the unaudited financial statements.

Relevant information concerning the geographic areas in which the Company operates in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," is as follows:

	Three Months Ended March 31, 2002			
	NOLAD	Colombia	Venezuela	Brazil
Net sales	$314,140	$ 99,739	$ 105,589	$104,881
Operating income (loss)	$ 45,198	$ 10,963	$ (2,478)	$ 8,572
Interest income	$ 1,030	$ 151	$ 1,422	$ 358
Interest expense	$ (7,032)	$ (3,209)	$ (1,698)	$ (952)
Depreciation and amortization	$ 17,546	$ 12,351	$ 11,147	$ 4,042
Capital expenditures	$ 9,829	$ 1,157	$ 210	$ 1,748
	March 31, 2002			
Long-lived assets	$692,895	$320,364	$ 328,132	$180,363
Total assets	$838,344	$377,990	$ 407,354	$393,267

	Three Months Ended March 31, 2001			
	NOLAD	Colombia	Venezuela	Brazil
Net sales	$290,143	$ 94,476	$ 133,857	$126,369
Operating income (loss)	$ 44,817	$ 7,162	$ 9,093	$ 7,203
Interest income	$ 2,845	$ 2,430	$ 1	$ 350
Interest expense	$ (5,051)	$ (3,162)	$ (8,126)	$ (510)
Depreciation and amortization	$ 19,558	$ 14,122	$ 15,332	$ 6,294
Capital expenditures	$ 10,264	$ 969	$ 2,980	$ 1,915
	December 31, 2001			
Long-lived assets	$690,155	$327,059	$ 339,512	$189,279

Total assets	$853,458	$383,188	$ 419,935	$352,883

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

The statements of operations data for Panamco NOLAD (Panamco Mexico and Panamco Central America, which consists of Costa Rica, Nicaragua and Guatemala), Panamco Colombia, Panamco Venezuela, and Panamco Brazil 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 Panamco Central America, Panamco Colombia, Panamco Venezuela, and Panamco Brazil, 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 NOLAD
(Stated in thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31,	
	2002	2001
STATEMENT OF OPERATIONS DATA:		
Net sales	$ 314,140	$ 290,143
Cost of sales, excluding depreciation and amortization	141,610	127,319
Gross profit	172,530	162,824
Operating expenses:		
Selling, general and administrative	103,684	98,449
Depreciation and amortization	17,546	19,558
Nonrecurring items, net	6,102	-
	127,332	118,007

Operating income	45,198	44,817
Interest expense, net	(6,002)	(2,206)
Other income (expense), net	(4,424)	941
Income before provision for income taxes	34,772	43,552
Provision for income taxes	11,707	14,062
Income before minority interest	23,065	29,490
Minority interest in Panamco Mexico subsidiaries	652	906
Net income attributable to Panamco NOLAD	22,413	28,584
Minority interest in Panamco Mexico holding company	308	429
Net income attributable to Panamco	$ 22,105	$ 28,155
Cash operating profit	$ 63,086	$ 64,375

UNIT CASE SALES VOLUME GROWTH:

Soft drinks	2.8%
Water	3.2%
Other products	58.4%
Total growth	3.3%

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

	Three Months Ended March 31,	
	2002	2001
STATEMENT OF OPERATIONS DATA:		
Net sales	$ 99,739	$ 94,476
Cost of sales, excluding depreciation and amortization	46,070	42,847
Gross profit	53,669	51,629
Operating expenses:		
Selling, general and administrative	30,355	30,345
Depreciation and amortization	12,351	14,122

	42,706	44,467
Operating income	10,963	7,162
Interest expense, net	(3,058)	(732)
Other income, net	97	196
Income before provision for income taxes	8,002	6,626
Provision for income taxes	2,978	1,955
Income before minority interest	5,024	4,671
Minority interest in Panamco Colombia subsidiaries holding company	60	50
Net income attributable to Panamco Colombia holding company	4,964	4,621
Minority interest in Panamco Colombia	136	127
Net income attributable to Panamco	$ 4,828	$ 4,494
Cash operating profit	$ 23,314	$ 21,284

Unit Case Sales Volume Decline:	
Soft drinks	(1.2%)
Water	(19.2%)
Other products	370.9%
Total decline	(4.7%)

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

	Three Months Ended March 31,	
	2002	2001
STATEMENT OF OPERATIONS DATA:		
Net sales	$ 105,589	$ 133,857
Cost of sales, excluding depreciation and amortization	55,773	63,881

Gross profit	49,816	69,976
Operating expenses:		
Selling, general and administrative	37,066	45,551
Depreciation and amortization	11,147	15,332
Nonrecurring items, net	4,081	-
	52,294	60,883
Operating income (loss)	(2,478)	9,093
Interest expense, net	(276)	(8,125)
Other income, net	3,651	3,561
Income before benefit from income taxes	897	4,529
Benefit from income taxes	(268)	(2,273)
Net income attributable to Panamco	$ 1,165	$ 6,802
Cash operating profit	$ 10,350	$ 24,425

UNIT CASE SALES VOLUME DECLINE:

Soft drinks	(10.5%)
Water	(20.7%)
Beer	(23.1%)
Other products	34.2%
Total decline	(10.6%)

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

	Three Months Ended March 31,	
	2002	2001
Statement of Operations Data:		
Net sales	$ 104,881	$ 126,369
Cost of sales, excluding depreciation and amortization	66,881	82,216
Gross profit	38,000	44,153

Operating expenses:		
Selling, general and administrative	28,767	30,656
Depreciation and amortization	4,042	6,294
Nonrecurring items, net	(3,381)	-
	29,428	36,950
Operating income	8,572	7,203
Interest expense, net	(594)	(160)
Other income (expense), net	48,732	(4,636)
Income before provision (benefit) for income taxes	56,710	2,407
Provision (benefit) for income taxes	2,387	(246)
Income before minority interest	54,323	2,653
Minority interest in Panamco Brazil holding company	87	22
Net income attributable to Panamco	$ 54,236	$ 2,631
Cash operating profit	$ 12,614	$ 13,497

Unit Case Sales Volume Decline:	
Soft drinks	(12.8%)
Water	(6.3%)
Beer	(17.3%)
Other	100.0%
Total decline	(13.3%)

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 March 31, 2002 and December 31, 2001 and for the three months ended March 31, 2002 and 2001 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, the "Panamco Central America" group was created, 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, the North Latin American Division ("NOLAD") was created, which consists of Panamco Mexico and Panamco Central America. The results of operations of Panamco Mexico and Panamco Central America are reported together as Panamco NOLAD.

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 and noncash nonrecurring items.

We have made no significant changes in accounting policies from those reflected in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

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") on July 23, 2001, and the Company's Annual Report on Form 10-K for the year ended December 31, 2001 as well as other documents filed with the SEC, all of which are available from the SEC.

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

Net sales for the first quarter ended March 31, 2002 decreased 3.2% to $624.3 million from $644.8 million in the 2001 first quarter. Net sales were negatively impacted by a consolidated unit case sales decrease of 4.8% compared to the 2001 period, the devaluation of the Venezuelan bolivar and the continued deterioration of the economy in that country. In January 2002, we implemented a policy to raise prices in the territories in which we operate in Brazil. The result was a decline in volumes and an increase in operating profit margins from the levels achieved in the fourth quarter 2001. During the 2002 quarter, improved execution resulted in the resumption of net sales and volume growth in the NOLAD region of 8.3% and 3.3%, respectively.

Cost of sales as a percentage of net sales increased slightly to 49.6% during the first quarter of 2002 from 49.0% in the 2001 period. This increase was mainly the result of an increase in the cost of raw materials and packaging throughout most operations, especially in Venezuela where the devaluation of the Venezuelan Bolivar resulted in more costly U.S. dollar-denominated raw materials purchases, as well as a continuous change in product mix towards non-returnables. At the beginning of 2002, the Mexican Government introduced an excise tax of 20% on fructose-based soft drinks and on carbonated water. In March 2002, this tax was suspended until September 30, 2002. The impact of this tax was a nonrecurring nonoperating charge to reflect the tax paid on the inventory of products containing high fructose. The reinstatement of this tax, or any increase in the excise or other taxes on the sale of our products, will adversely affect our sales volumes and profitability to the extent that we are unable to pass the full amount of any such increase to consumers.

Gross profit as a percentage of net sales decreased slightly to 50.4% during the first quarter of 2002 from 51.0% in the first quarter of 2001, mainly the result of a higher cost of raw materials and packaging.

The following comparison of Panamco's first quarter 2002 and 2001 consolidated results of operations excludes the effect of the sale of Kaiser and other nonrecurring items during the first quarter of 2002 totalling $35.7 million, net of the related tax benefit of $3.7 million. See "Nonrecurring Items / Reorganization Programs" and Note 5 of "Notes to Condensed Consolidated Financial Statements" for further discussion on Panamco's nonrecurring items.

Operating expenses as a percentage of net sales decreased to 39.4% during the first quarter of 2002 from 41.2% in the 2001 period, mainly due to lower goodwill amortization as a result of adopting SFAS No. 142, "Goodwill and Other Intangible Assets" as well as a 16.7% reduction in depreciation expense, primarily the result of lower property and equipment balances.

Operating income increased 10.0% to $68.9 million during the first quarter of 2002 from $62.7 million in the 2001 period, primarily the result of lower goodwill amortization as a result of adopting SFAS No. 142. Operating income during the quarter was negatively impacted by the currency devaluation in Venezuela and by the deteriorating macroeconomic conditions in that country. Price increases in order to reduce the impact of the devaluation resulted in loss of market share. The devaluation of the bolivar increases the relative price of U.S. dollar-denominated raw materials of Panamco Venezuela and decreases its U.S. dollar-reported net sales (and other financial statement accounts, including net income). Unit case volumes may be adversely affected to the extent of a continued slowdown in the Venezuelan economy. Excluding Venezuela, operating income increased 25.6% from a year ago. Cash operating profit decreased 7.6% to $113.6 million in 2002 from $122.9 million in the first quarter of 2001. Excluding Venezuela, cash operating profit for the quarter increased 2.4% from a year ago. In January 2002, we implemented a policy to raise prices in the territories in which we operate in Brazil. The result was a decline in volumes and an increase in operating profit margins from the levels achieved in the fourth quarter 2001.

Net interest expense decreased 15.7% to $19.9 million during the first quarter of 2002 from $23.6 million in the 2001 period, mainly resulting from the combination of a 30.6% reduction in gross interest expense to $22.6 million, which was partially offset by a 69.6% reduction in interest income. The reduction in interest expense is the result of a $201.9 million reduction in gross debt on a year over year basis.

Other income increased to $5.6 million during the first quarter of 2002 from an expense of $2.2 million in the 2001 period, primarily the result of a $0.8 million foreign exchange gain during this quarter compared to a $6.5 million foreign exchange loss, mainly in Brazil, in the same quarter a year ago.

The consolidated effective income tax rate increased slightly to 38.7% during the first quarter of 2002 from 38.1% in the 2001 period.

As a result of the foregoing, Panamco recorded net income of $32.5 million during the first quarter of 2002, or $0.27 per basic and diluted share, compared to net income of $21.3 million, or $0.17 per basic share ($0.16 on a diluted basis), during the 2001 period.

NONRECURRING ITEMS / REORGANIZATION PROGRAMS

During the first quarter of 2002, Panamco recorded a gain on the sale of its 12.1% equity stake in Kaiser as part of a larger transaction in which Molson, Inc. acquired Kaiser and entered into a partnership with Heineken. The sale generated proceeds which include approximately $55.1 million reflected within accounts receivable and $18.9 million in Molson stock recorded as an investment (the Molson stock received by Panamco cannot be sold for a period of two years pending the resolution of certain tax contingencies in Brazil, which management is of the opinion that will be resolved in a manner favorable to Panamco), and resulted in a gain of $48.6 million, which is included as part of Other income (expense), net. We will continue to distribute Kaiser products in our franchise areas in Brazil and the acquisition of Kaiser will not impact this distribution agreement. During the first quarter, Panamco also had nonrecurring charges, net of benefits, approximating $16.6 million, of which $11.6 million is classified as cash charges and $5.0 is classified as noncash charges. The cash charges primarily relate to severance payments for the termination of approximately 600 employees in Mexico and Venezuela and to the payment of excise taxes on soft drink inventories containing high fructose corn syrup in Mexico. The payment of the excise taxes resulted from a law that was suspended shortly after it was initiated. Panamco has initiated legal proceedings to seek that the amounts already paid be refunded. The noncash charges primarily relate to the closure of plants in Venezuela and to the sale, at a loss, of the corporate airplane to a related party. The gain on the sale of Kaiser and the total nonrecurring charges, net benefits, had a combined positive after-tax impact on net income of $35.7 million.

During 2000, Panamco implemented company-wide reorganization programs designed to improve productivity and strengthen our competitive position in the beverage industry. As of March 31, 2002, approximately 7,700 employees have been terminated by Panamco relating to the reorganization programs implemented during 2000. Balances related to accrued facilities reorganization costs of $5.3 million and $6.5 million are reflected in Other accrued liabilities and $6.0 million is reflected in Other long-term liabilities in the condensed consolidated balance sheets at March 31, 2002 and December 31, 2001, respectively. The decrease in accrued facilities reorganization costs during the three months ended March 31, 2002 is related to the continued implementation of the reorganization programs.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased $43.3 million during the first three months of 2002 from net cash transactions. Our primary sources of cash for the first quarter of 2002 were proceeds from bank loans totalling $9.7 million and proceeds from the sale of property, plant and equipment totalling $8.8 million. Our primary uses of cash for the first quarter of 2002 were the payment of bank loans and other long-term obligations totalling $17.3 million, capital expenditures totalling $12.9 million, purchase of bottles and cases totalling $8.6 million, payment of shareholder dividends totalling $7.3 million, and share repurchases totalling $7.3 million. Cash flow used in operating activities was $1.0 million for the three months ended March 31, 2002 compared to cash flow provided by operating activities of $81.1 million in the same quarter a year ago, mainly due to a decrease in accounts payable of $60.1 million. At March 31, 2002, we had negative working capital of $92.9 million, a 45% improvement compared to a negative working capital of $168.9 million as of December 31, 2001. 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 decreased to $963.8 million at March 31, 2002, from $970.2 million at the end of 2001, consisting of $580.0 million at the holding company level and $383.8 million of subsidiary

indebtedness. Of the total debt, 88.0% is long-term. Our U.S. dollar-denominated debt decreased to 65.8% at March 31, 2002 from 67.5% at the end of 2001.

There has been no significant change in our contractual obligations during the three months ended March 31, 2002. For a discussion of our contractual obligations, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements", contained in our Form 10-K for the year ended December 31, 2001.

At December 31, 2001, Panamco had completed the $100.0 million share repurchase program adopted in 1999, increased to a total of $150.0 million by two $25.0 million supplements in 2001 (the "1999 Share Repurchase Program"). In the first quarter of 2002, we adopted a new program (the "2002 Share Repurchase Program") to repurchase up to $20.0 million of Panamco's Class A Common Stock. During the first quarter of 2002, we repurchased 442,700 shares for a total amount of $7.3 million under the 2002 Share Repurchase Program.

During the first quarter of 2002, Panamco recorded a gain on the sale of its 12.1% equity stake in Kaiser as part of a larger transaction in which Molson, Inc. acquired Kaiser and entered into a partnership with Heineken. The sale generated proceeds which include approximately $55.1 million reflected within accounts receivable and $18.9 million in Molson stock recorded as an investment. We will continue to distribute Kaiser products in our franchise areas in Brazil and the acquisition of Kaiser will not impact this distribution agreement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposure to market risk during the three months ended March 31, 2002. For a discussion of our exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in our Form 10-K for the year ended December 31, 2001.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal Proceedings information is addressed in Item 3 of our Form 10-K for the year ended December 31, 2001. There has been no material change to that information required to be disclosed in this Quarterly Report on Form 10-Q.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits:

None.

(b) Reports on Forms 8-K:

The Company did not file any reports on Form 8-K during the three months ended March 31, 2002.

SIGNATURES

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

May 14, 2002 PANAMERICAN BEVERAGES, INC.
(REGISTRANT)

By: /s/ Mario Gonzalez Padilla

Mario Gonzalez Padilla
Vice President, Chief Financial Officer and Treasurer
(On behalf of the Registrant and as Chief Accounting Officer)