FORM 424B3

Prospectus filed pursuant to Rule 424(b)(3)

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FILER

AMSCAN HOLDINGS INC

CIK:**1024729**| IRS No.: **133911462** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **2650** Paperboard containers & boxes

Mailing Address
80 GRASSLANDS ROAD
ELMSFORD NY 10523

Business Address
80 GRASSLANDS ROAD
ELMSFORD NY 10523
9143452020

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AMSCAN HOLDINGS, INC.

File pursuant to Rule 424(b)(3)
Registration No. 333-45457

Supplement No. 2 to Prospectus dated July 31, 2001 as supplemented by Supplement No. 1 dated August 1, 2001.

The date of this Supplement No. 2 is August 3, 2001.

On August 3, 2001, Amscan Holdings, Inc. filed the attached report on Form 10-Q.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarterly Period Ended June 30, 2001

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

For the transition period from -------------------- to --------------------

Commission file number 000-21827

AMSCAN HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

<TABLE>

<S>	<C>
Delaware	13-3911462
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
80 Grasslands Road Elmsford, New York	10523
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	(914) 345-2020

</TABLE>

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 -------

As of August 3, 2001, 1,133.21 shares of Registrants' Common Stock, par value $0.10, were outstanding.

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AMSCAN HOLDINGS, INC.
FORM 10-Q

JUNE 30, 2001

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AMSCAN HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

<TABLE>
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	JUNE 30, 2001 (Unaudited)	DECEMBER 31, 2000 (Note)
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 1,128	$ 1,469
Accounts receivable, net of allowances	64,258	62,678
Inventories, net of allowances	71,192	71,539
Prepaid expenses and other current assets	11,945	9,272
Total current assets	148,523	144,958
Property, plant and equipment, net	78,361	69,198
Intangible assets, net	57,394	59,360
Other assets, net	8,139	7,111
Total assets	$292,417	$280,627

</TABLE>

LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED AND COMMON STOCK
AND STOCKHOLDERS' DEFICIT

<TABLE>

<S>	<C>	<C>
Current liabilities:		
Short-term obligations	$ 10,100	$ 10,335
Accounts payable	28,964	28,820
Accrued expenses	16,754	17,091
Income taxes payable	4,242	1,198
Current portion of long-term obligations	2,625	3,754
Total current liabilities	62,685	61,198
Long-term obligations, excluding current portion	260,550	261,815
Deferred income tax liabilities	13,855	13,314
Other	2,293	2,413
Total liabilities	339,383	338,740
Redeemable convertible preferred stock	6,000	-
Redeemable Common Stock	28,768	28,768
Stockholders' deficit:		

	December 31, 2000 (continued)	
Common Stock	-	-
Additional paid-in capital	283	233
Unamortized restricted Common Stock award, net	(324)	(354)
Notes receivable from stockholders	(565)	(548)
Deficit	(77,783)	(83,867)
Accumulated other comprehensive loss	(3,345)	(2,345)
Total stockholders' deficit	(81,734)	(86,881)
Total liabilities, redeemable convertible preferred and Common Stock and stockholders' deficit	$292,417	$280,627

</TABLE>

Note: The balance sheet at December 31, 2000 has been derived from the audited consolidated financial statements at that date.

See accompanying notes to consolidated financial statements.

AMSCAN HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30, 2001	THREE MONTHS ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000
<S>	<C>	<C>	<C>	<C>
Net sales	$ 83,363	$ 78,758	$ 170,869	$ 156,135
Cost of sales	54,526	50,363	109,843	97,676
Gross profit	28,837	28,395	61,026	58,459
Operating expenses:				
Selling expenses	8,196	7,040	16,692	14,056
General and administrative expenses	8,089	8,024	16,149	15,756
Provision for doubtful accounts	522	3,906	987	4,373
Art and development costs	2,257	2,090	4,342	4,100
Total operating expenses	19,064	21,060	38,170	38,285
Income from operations	9,773	7,335	22,856	20,174
Interest expense, net	6,190	6,583	12,765	13,173
Other (income) expense, net	(67)	4	44	73
Income before income taxes and minority interests	3,650	748	10,047	6,928
Income tax expense	1,442	296	3,969	2,737
Minority interests	(1)	4	(6)	34
Net income	$ 2,209	$ 448	$ 6,084	$ 4,157

</TABLE>

See accompanying notes to consolidated financial statements.

AMSCAN HOLDINGS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
SIX MONTHS ENDED JUNE 30, 2001
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNAMORTIZED RESTRICTED COMMON STOCK AWARD, NET	NOTES RECEIVABLE FROM STOCKHOLDERS	DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2000	$ --	$ 233	$ (354)	$ (548)	$ (83,867)	$ (2,345)	$(86,881)
Net income					6,084		6,084
Net change in cumulative translation adjustment						(778)	(778)
Cumulative effect of a change in accounting principle, net of taxes (see Notes 5 and 9)						(227)	(227)
Change in fair value of interest rate swaps, net of taxes (see Notes 5 and 9)						5	5
Comprehensive income							5,084
Exercise of stock options		50		(25)			25
Payments of notes receivable from stockholders				8			8
Amortization of restricted Common Stock award			30				30
Balance at June 30, 2001	$ --	$ 283	$ (324)	$ (565)	$ (77,783)	$ (3,345)	$(81,734)

</TABLE>

See accompanying notes to consolidated financial statements.

AMSCAN HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 6,084	$ 4,157
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,719	6,942
Amortization of deferred financing costs	499	436
Amortization of restricted Common Stock award	30	26
Provision for doubtful accounts	987	4,373
Deferred income tax expense (benefit)	231	(476)
Gain on disposal of property and equipment		(1)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(3,610)	(3,584)
Decrease (increase) in inventories	156	(6,314)
(Increase) decrease in prepaid expenses and other current assets	(1,601)	1,050
Increase in accounts payable, accrued expenses and income taxes payable	3,161	324
Other, net	(1,713)	(806)
Net cash provided by operating activities	11,943	6,127
Cash flows from investing activities:		
Capital expenditures	(15,110)	(5,032)
Proceeds from sale of property and equipment	--	3
Net cash used in investing activities	(15,110)	(5,029)
Cash flows from financing activities:		
Proceeds from issuance of redeemable convertible preferred stock	6,000	--
Proceeds from short-term obligations		2,712
Repayment of loans, notes payable and long-term obligations	(2,629)	(3,051)
Other	(5)	117
Net cash provided by (used in) financing activities	3,366	(222)
Effect of exchange rate changes on cash and cash equivalents	(540)	(683)
Net (decrease) increase in cash and cash equivalents	(341)	193
Cash and cash equivalents at beginning of period	1,469	849
Cash and cash equivalents at end of period	$ 1,128	$ 1,042

Supplemental Disclosures:

Interest paid	$ 12,875	$ 12,735
Income taxes paid	$ 1,235	$ 866

</TABLE>

See accompanying notes to consolidated financial statements.

AMSCAN HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Amscan Holdings, Inc. ("Amscan Holdings" and, together with its subsidiaries, "AHI" or the "Company") was incorporated on October 3, 1996 for the purpose of becoming the holding company for Amscan Inc. and certain affiliated entities. AHI designs, manufactures, contracts for manufacture and distributes party and novelty goods and gifts principally in North America, South America, Europe, Asia and Australia.

NOTE 2 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2001 are not necessarily indicative of the results to be expected for the year ending December 31, 2001. The results of operations may be affected by seasonal factors such as the timing of holidays or industry factors that may be specific to a particular period, such as movement in and the general level of raw material costs. For further information, see the consolidated financial statements and notes thereto included in Amscan Holdings' Annual Report on Form 10-K for the year ended December 31, 2000.

In connection with the preparation of the accompanying unaudited consolidated financial statements, the Company has reclassified certain amounts in prior periods to conform to the current year presentation.

NOTE 3 - INVENTORIES

Inventories consisted of the following (dollars in thousands):

<TABLE>
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<S>	JUNE 30, 2001 <C>	DECEMBER 31, 2000 <C>
Finished goods	$ 61,387	$ 61,680
Raw materials	6,742	7,614
Work-in-process	5,474	4,677
	73,603	73,971
Less: reserve for slow moving and obsolete inventory	(2,411)	(2,432)
	$ 71,192	$ 71,539

</TABLE>

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, or market.

NOTE 4 - INCOME TAXES

The consolidated income tax expense for the three and six months ended June 30, 2001 and 2000 was determined based upon estimates of the Company's consolidated effective income tax rates for the years ending

AMSCAN HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2001 and 2000, respectively. The differences between the consolidated effective income tax rate and the U.S. Federal statutory rate are primarily attributable to state income taxes and the effects of foreign operations.

NOTE 5 - COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) consisted of the following (dollars in thousands):

	THREE MONTHS ENDED JUNE 30, 2001	THREE MONTHS ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000
Net income	$ 2,209	$ 448	$ 6,084	$ 4,157
Net change in cumulative translation adjustment	26	(955)	(778)	(1,133)
Cumulative effect of a change in accounting principle to recognize the fair value of the Company's interest rate swap contracts, net of taxes (see Note 9)			(227)	
Change in fair value of the Company's interest rate swap contracts, net of taxes (see Note 9)	(88)		5	
	$ 2,147	$ (507)	$ 5,084	$ 3,024

Accumulated other comprehensive loss consisted of the following (dollars in thousands):

	JUNE 30, 2001	DECEMBER 31, 2000
Cumulative translation adjustment	$(3,123)	$(2,345)
Interest rate swap contracts qualifying as hedges, net of taxes (see Note 9)	(222)	--
	$(3,345)	$(2,345)

NOTE 6 - CAPITAL STOCK

On March 30, 2001, the Board of Directors authorized 500 shares of preferred stock, $0.10 par value, and designated 100 shares as Series A Redeemable Convertible Preferred Stock. Also on March 30, 2001, the Company issued 40 shares of Series A Redeemable Convertible Preferred Stock to GS Capital Partners II, L.P. and certain other private investment funds managed by Goldman, Sachs & Co. (collectively, "GSCP"), for proceeds of $6.0 million. Dividends are cumulative and shall be payable annually beginning March 30, 2002, at 6% per annum. Such dividends payable on or prior to March 30, 2004, shall be payable in additional shares of Series A Redeemable Convertible Preferred Stock based on a value of $150,000 per share. Subsequent to March 30, 2004, dividends shall be payable, at the option of the Company, either in cash or additional shares of Series A Redeemable Convertible Preferred Stock.

Each share of the Series A Redeemable Convertible Preferred Stock is convertible at the option of the holder at any time, into shares of Common Stock of the Company, $0.10 par value, at a conversion rate of 1.0 share of Common Stock for each share of Series A Redeemable Convertible Preferred Stock, subject to adjustment under certain conditions. As of June 30, 2001, there were 40 shares of Company Common Stock reserved for such conversion.

The Series A Redeemable Convertible Preferred Stock is not redeemable on or prior to March 30, 2004. To the extent the Company shall have funds legally available to redeem these shares, the Company may redeem these shares, in whole or, with the consent of the holders of a majority of the outstanding Series A Redeemable Convertible Preferred Stock, in part, at a redemption price of $150,000 per share, in cash, together with accrued and unpaid dividends. To the extent the Company shall have funds legally available to redeem these shares on March 30, 2008, the Company is required to redeem all outstanding shares of

Series A Redeemable Convertible Preferred Stock at a redemption price per share equal to $150,000 in cash, together with accrued and unpaid dividends.

At June 30, 2001 and December 31, 2000, the Company's authorized common stock consisted of 3,000 shares of common stock, $0.10 par value, of which 1,133.21 and 1,132.54 shares, respectively, were issued and outstanding.

The Company has not paid any dividends on its Common Stock and does not anticipate paying cash dividends in the foreseeable future. The Company currently intends to retain its earnings for working capital, repayment of indebtedness, capital expenditures and general corporate purposes. In addition, the Company's current credit facility and the indenture governing its notes contain restrictive covenants which have the effect of limiting the Company's ability to pay dividends or distributions to its stockholders.

NOTE 7 - SEGMENT INFORMATION

Industry Segments

The Company principally operates in one industry segment which involves the design, manufacture, contract for manufacture and distribution of party and novelty goods and gifts.

Geographic Segments

The Company's export sales, other than those intercompany sales reported below as sales between geographic areas, are not material. Sales between geographic areas primarily consist of sales of finished goods for distribution in foreign markets. No single foreign operation is significant to the Company's consolidated operations. Sales between geographic areas are made at cost plus a share of operating profit.

The Company's geographic area data is as follows (dollars in thousands):

	DOMESTIC	FOREIGN	ELIMINATIONS	CONSOLIDATED
THREE MONTHS ENDED JUNE 30, 2001				
Sales to unaffiliated customers	$ 72,401	$ 10,962		$ 83,363
Sales between geographic areas	6,565		$ (6,565)	--
Net sales	$ 78,966	$ 10,962	$ (6,565)	$ 83,363
Income from operations	$ 9,204	$ 569		$ 9,773
Interest expense, net				6,190
Other income, net				(67)
Income before income taxes and minority interests				$ 3,650
Long-lived assets, net at June 30, 2001 ..	$ 137,163	$ 6,731		$ 143,894

	DOMESTIC	FOREIGN	ELIMINATIONS	CONSOLIDATED
THREE MONTHS ENDED JUNE 30, 2000				
Sales to unaffiliated customers	$ 68,635	$ 10,123		$ 78,758
Sales between geographic areas	5,242		$ (5,242)	--
Net sales	$ 73,877	$ 10,123	$ (5,242)	$ 78,758
Income from operations	$ 6,686	$ 649		$ 7,335
Interest expense, net				6,583
Other expense, net				4
Income before income taxes and minority				

interests				$ 748
				========
Long-lived assets, net at June 30, 2000	$ 125,672	$ 7,027		$132,699
	=========	=========		========
SIX MONTHS ENDED JUNE 30, 2001				
Sales to unaffiliated customers	$ 148,856	$ 22,013		$170,869
Sales between geographic areas	12,265		$ (12,265)	--
	---------	---------	---------	--------
Net sales	$ 161,121	$ 22,013	$ (12,265)	$170,869
	=========	=========	=========	========
Income from operations	$ 21,435	$ 1,421		$ 22,856
	=========	=========		
Interest expense, net				12,765
Other expense, net				44

Income before income taxes and minority interests				$ 10,047
				========
SIX MONTHS ENDED JUNE 30, 2000				
Sales to unaffiliated customers	$ 135,294	$ 20,841		$156,135
Sales between geographic areas	8,726		$ (8,726)	--
	---------	---------	---------	--------
Net sales	$ 144,020	$ 20,841	$ (8,726)	$156,135
	=========	=========	=========	========
Income from operations	$ 18,456	$ 1,718		$ 20,174
	=========	=========		
Interest expense, net				13,173
Other expense, net				73

Income before income taxes and minority interests				$ 6,928
				========

</TABLE>

NOTE 8 - LEGAL PROCEEDINGS

The Company is a party to certain claims and litigation in the ordinary course of business. The Company does not believe any of these proceedings will result, individually or in the aggregate, in a material adverse effect on its financial condition or future results of operations.

NOTE 9 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting

Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," and, in June 1999 and June 2000, issued SFAS No. 137 and No. 138 as amendments thereto. These statements provide a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities, requiring all derivatives to be recognized on the balance sheet at fair value and establishing standards for the recognition of changes in such fair value. These statements are effective for fiscal years beginning after June 15, 2000. As long as hedge effectiveness is maintained, the Company's interest rate arrangements qualify for hedge accounting as cash flow hedges under SFAS No. 133 as amended by SFAS 138. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. The Company has adopted these statements effective January 1, 2001. Because of the Company's limited use of derivatives, the adoption of SFAS No. 133 did not have a significant effect on earnings or the financial position of the Company.

As part of the Company's risk management strategy, the Company uses interest rate swaps to hedge variability of cash flows on its variable rate term loan ("Term Loan"). The Company is obligated to obtain interest rate protection on approximately one-half of its Term Loan, pursuant to interest rate swaps, caps or other similar arrangements satisfactory to GSCP. The Term Loan matures in December 2004 and provides for amortization (in quarterly installments) of one percent of the principal amount thereof per year for the first five years and 32.3% and 62.7% of the principal amount thereof in the sixth and seventh years, respectively. The Term Loan bears interest, at the option of the Company, at the lenders' customary base rate plus 1.625% per annum or at the lenders' customary reserve adjusted Eurodollar rate plus 2.625% per annum. At June 30, 2001, the floating interest rate on the Term Loan was 6.79%. The Company is currently involved in three interest rate swap transactions with Goldman Sachs Capital Markets, L.P. and a financial institution covering $76,000,000 of its outstanding borrowings under the Term Loan. The interest rate swap contracts require the Company to settle the difference in interest obligations quarterly. Net payments to (receipts from) the counterparty under the swap contracts have been recorded as additions to (reductions of) interest expense.

The fair value of interest rate swaps is the estimated amount that the counterparty would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. At June 30, 2001, these hedges had an unrealized loss of $0.2 million, net of taxes, which has been included in the Company's accumulated other comprehensive loss (see Note 5). The ineffective portion relating to these hedges was not material during the three and six months ended June 30, 2001. At June 30, 2001, the Company expects to reclassify the loss on these hedges from accumulated other comprehensive loss to earnings over the next twelve months during which the hedged transaction affect earnings. The actual amount that will be reclassified to earnings over the next twelve months will vary from this amount, as a result of changes in market conditions.

NOTE 10 - PROVISION FOR DOUBTFUL ACCOUNTS

During the second quarter of 2000, two of the Company's customers filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. As a result of the filings, the Company charged $3.4 million to the provision for doubtful accounts during the second quarter of 2000. In addition, the Company charged $1.0 million to

the provision for doubtful accounts in the fourth quarter of 2000 to fully provide for the accounts receivable balances due to the Company from these customers. On a combined basis, these two customers accounted for approximately 4.0% and 2.6% of the Company's consolidated net sales for the three and six months ended June 30, 2000, respectively. Approximately 50% of the locations previously owned by these two customers have been acquired by other customers and continue to operate as party stores.

NOTE 11- SUBSEQUENT EVENT

On July 26, 2001, Amscan and American Greetings Corporation ("American Greetings") signed a letter of intent pursuant to which Amscan would acquire American Greetings' subsidiary, M&D Balloons, a Manteno, Illinois-based manufacturer of metallic balloons. American Greetings would continue to distribute metallic balloons, through its Balloon Zone entity, under a supply agreement with Amscan. However, there is no assurance that the transaction will close as it is subject to completion of due diligence, further documentation and other conditions.

NOTE 12-NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") SFAS No. 141, Business Combinations" ("SFAS No. 141") which supersedes Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations." SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations and modifies the application of the purchase accounting method. SFAS No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported separately from goodwill. The elimination of the pooling-of-interests method is effective for transactions initiated after June 30, 2001. 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. Management does not anticipate the adoption of this statement will have a significant effect on the Company's results of operations or financial position.

In July 2001, the FASB also issued SFAS No. 142, "Goodwill and Intangible Assets" ("SFAS No. 142") which supercedes APB Opinion No. 17, "Intangible Assets." SFAS No. 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life and addresses the impairment testing and recognition for goodwill and intangible assets. SFAS No. 142 will apply to goodwill and intangible assets arising from transactions completed before and after the effective date. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of SFAS 142 is expected to result in an estimated increase in net income of approximately $1.6 million per year. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or not significant to the financial statements of the Company.

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

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

PERCENTAGE OF NET SALES

<TABLE>
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	THREE MONTHS ENDED JUNE 30,	
	2001	2000
<S>	<C>	<C>
Net sales	100.0%	100.0%
Cost of sales	65.4	63.9
Gross profit	34.6	36.1
Operating expenses:		
Selling expenses	9.9	8.9
General and administrative expenses	9.7	10.1
Provision for doubtful accounts	0.6	5.0
Art and development costs	2.7	2.7
Total operating expenses	22.9	26.7
Income from operations	11.7	9.4
Interest expense, net	7.4	8.4
Other income, net		
Income before income taxes and minority interests	4.3	1.0
Income tax expense	1.7	0.4
Minority interests		
Net income	2.6%	0.6%

</TABLE>

Net sales of $83.4 million for the three months ended June 30, 2001 were $4.6 million higher than net sales for the three months ended June 30, 2000. The increase in net sales reflects increased sales of solid color tableware to superstores under a program which began in the second quarter of 2000 and increased sales of gift items to independent party goods and specialty stores.

Gross profit for the second quarter of 2001 of 34.6% was 1.5% lower than the corresponding period in 2000 as incremental margin achieved as a result of increased sales was more than offset by lower margins attributable to product mix, principally solid color tableware, sales to other distributors and the impact of foreign currency fluctuations on international sales margin.

Selling expenses of $8.2 million for the second quarter of 2001 were $1.2 million higher than those of the corresponding period in 2000 and increased to 9.9% of net sales from 8.9% of net sales. The increase in selling expenses reflects the continued development of a specialty sales force, which has nearly doubled since the beginning of 2000, and increased marketing initiatives.

General and administrative expenses for the three months ended June 30, 2001 of $8.1 million were comparable to those of the first quarter of 2000 but decreased as a percent of net sales to 9.7% from 10.1%, reflecting the increase in net sales previously noted.

The provision for doubtful accounts was $0.5 million for the second quarter of 2001 or $3.4 million lower than the corresponding period in 2000. During the second quarter of 2000, two of the Company's customers filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code, and as a result, the Company charged $3.4 million to the provision for doubtful accounts. In addition, the Company charged $1.0 million to the provision for doubtful accounts in the fourth quarter of 2000 to fully provide for the accounts receivable balances due to the Company from these customers. On a combined basis, these two customers accounted for approximately 4.0% of the Company's consolidated net sales for the three months ended June 30, 2000. Approximately 50% of the locations

previously owned by these two customers have been acquired by other customers and continue to operate as party stores.

Art and development costs of $2.3 million for the second quarter of 2001, were $0.2 million higher than the corresponding period in 2000. As a percentage of net sales, art and development costs were 2.7% for the second quarter of 2001, comparable to the corresponding period of 2000.

Interest expense of $6.2 million for the second quarter of 2001 was $0.4 million lower than the corresponding period in 2000 reflecting a lower average interest rate on higher average borrowings as compared to 2000. In addition, during the three-month period ended June 30, 2001, the Company capitalized $0.2 million of interest on debt associated with the construction of its new distribution facility (see "Liquidity and Capital Resources").

Income taxes for the second quarter of 2001 and 2000 were based upon estimated consolidated effective income tax rates of 39.5% for the years ending December 31, 2001 and 2000.

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

PERCENTAGE OF NET SALES

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
<S>	<C>	<C>
Net sales	100.0%	100.0%
Cost of sales	64.3	62.6
Gross profit	35.7	37.4
Operating expenses:		
Selling expenses	9.8	9.0
General and administrative expenses	9.4	10.1
Provision for doubtful accounts	0.6	2.8
Art and development costs	2.5	2.6
Total operating expenses	22.3	24.5
Income from operations	13.4	12.9
Interest expense, net	7.5	8.4
Other expense, net		
Income before income taxes and minority interests	5.9	4.5
Income tax expense	2.3	1.8
Minority interests		
Net income	3.6%	2.7%

</TABLE>

Net sales of $170.9 million for the six months ended June 30, 2001 were $14.7 million higher than net sales for the six months ended June 30, 2000. The increase in net sales reflects increased sales of solid color tableware to superstores under a program which began in the second quarter of 2000, increased sales of party goods and gift items to independent party goods and specialty stores and increased sales to other distributors.

Gross profit for the six months ended June 30, 2001 of 35.7% was 1.7% lower than the corresponding period in 2000 as incremental margin achieved as a result of increased sales was more than offset by lower margins attributable to product mix, principally solid color tableware, sales to other distributors and the impact of foreign currency fluctuations on international sales margin.

Selling expenses of $16.7 million for the six months ended June 30, 2001 were $2.6 million higher than those of the corresponding period in 2000 and increased to 9.8% of net sales from 9.0% of net sales. The increase in selling

expenses reflects the continued development of a specialty sales force, which has nearly doubled since the beginning of 2000, and increased marketing initiatives.

General and administrative expenses for the six months ended June 30, 2001 of $16.1 million were $0.4 million higher as compared to the corresponding period in 2000 but decreased as a percent of net sales by 0.7% to 9.4%, reflecting the increase in net sales previously noted.

The provision for doubtful accounts was $1.0 million for the six months ended June 30, 2001, or $3.4 million lower than the corresponding period in 2000. During the second quarter of 2000, two of the Company's customers filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code, and as a result, the Company charged $3.4 million to the provision for doubtful accounts. In addition, the Company charged $1.0 million to the provision for doubtful accounts in the fourth quarter of 2000 to fully provide for the accounts receivable balances due to the Company from these customers. On a combined basis, these two customers accounted for approximately 2.6% of the Company's consolidated net sales for the six months ended June 30, 2000. Approximately 50% of the locations previously owned by these two customers have been acquired by other customers and continue to operate as party stores.

Art and development costs of $4.3 million for the six months ended June 30, 2001, were comparable to the corresponding period in 2000. As a percentage of net sales, art and development costs were 2.5% for the six months ended June 30, 2001 as compared to 2.6% for the corresponding period of 2000.

Interest expense of $12.8 million for the six months ended June 30, 2001 was $0.4 million lower than the corresponding period in 2000 reflecting a lower average interest rate on higher average borrowings as compared to 2000. In addition, during the six-months ended June 30, 2001, the Company capitalized $0.4 million of interest on debt associated with the construction of its new distribution facility (see "Liquidity and Capital Resources").

Income taxes for the six months ended June 30, 2001 and 2000 were based upon estimated consolidated effective income tax rates of 39.5% for the years ending December 31, 2001 and 2000.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2001, the Company had an outstanding Term Loan of $150.5 million provided under a bank credit agreement (the "Bank Credit Facilities"), together with senior subordinated notes of $110.0 million (the "Notes") (collectively, the "Financings"). The Term Loan matures in December 2004 and provides for amortization (in quarterly installments) of one percent of the principal amount thereof per year for the first five years and 32.3% and 62.7% of the principal amount thereof in the sixth and seventh years, respectively. The Term Loan bears interest, at the option of the Company, at the lenders' customary base rate plus 1.625% per annum or at the lenders' customary reserve adjusted Eurodollar rate plus 2.625% per annum. At June 30, 2001, the floating interest rate on the Term Loan was 6.79%. The Notes bear interest at a rate of 9 7/8% per annum and mature in December 2007. The Company is required to make prepayments on the Bank Credit Facilities under certain circumstances, including upon certain asset sales and issuance of debt or equity securities and based on cash flows, as defined.

In addition to the Term Loan, the Bank Credit Facilities provide for revolving loan borrowings of up to $50 million (the "Revolving Credit Facility"). The Revolving Credit Facility, expires on December 31, 2002, bears interest, at the option of the Company, at the lenders' customary base rate plus, based on certain terms, a range of 1.00% to 1.50% per annum or at the lenders' customary reserve adjusted Eurodollar rate plus, based on certain terms, a range of 2.00% to 2.50% per annum. Interest on balances outstanding under the Revolving Credit Facility are subject to adjustment in the future based on the Company's performance. At June 30, 2001, the Company had borrowing capacity of approximately $34.3 million under the Revolving Credit Facility.

At June 30, 2001, the Company had three interest rate swap contracts outstanding with a financial institution and Goldman Sachs Capital Markets, L.P. ("GSCM") covering $76.0 million of its Term Loan at effective interest rates ranging from 7.68% to 9.30%.

On March 30, 2001, the Board of Directors authorized 500 shares of preferred stock, $0.10 par value, and designated 100 shares as Series A Redeemable Convertible Preferred Stock. Also on March 30, 2001, the Company issued 40 shares of Series A Redeemable Convertible Preferred Stock to GSCP for proceeds of $6.0 million.

In October 2000, the Company purchased property for the construction of a new domestic distribution facility for $4.9 million and entered into a contract for the design and construction of the new facility with an estimated cost, excluding capitalized interest, of $22.1 million. Through June 30, 2001, the Company incurred costs of $13.5 million relating to the construction of the new facility, including $0.6 million of cumulative capitalized interest costs. The expenditures were financed through June 30, 2001 by borrowings under the Revolving Credit Facility. The Company intends to permanently finance both the purchase of property and the construction of the facility using the proceeds from the issuance of the Series A Redeemable Convertible Preferred Stock of $6.0 million noted above, long-term borrowings totaling $20 million, and working capital of $1.0 million. The Company has obtained firm commitments totaling $20 million for the permanent financings from both the New York Job Development Authority and a financial institution. The Company has amended and restated its Bank Credit Facilities to provide for, among other things, the additional borrowings and future capital expenditures for the construction of the new facility.

On July 26, 2001, Amscan and American Greetings signed a letter of intent pursuant to which Amscan would acquire American Greetings' subsidiary, M&D Balloons, a Manteno, Illinois-based manufacturer of metallic balloons. American Greetings would continue to distribute metallic balloons, through its Balloon Zone entity, under a supply agreement with Amscan. However, there is no assurance that the transaction will close as it is subject to completion of due diligence, further documentation and other conditions.

Based upon the current level of operations and anticipated growth, the Company anticipates that its operating cash flow, together with available borrowings under the Revolving Credit Facility will be adequate to meet its anticipated future requirements for working capital and operating expenses and to service its debt requirements as they become due. However, the Company's ability to make scheduled payments of principal of, or to pay interest on, or to refinance its indebtedness and to satisfy its other obligations will depend upon its future performance, which, to a certain extent, will be subject to general economic, financial, competitive, business and other factors beyond its control.

The Financings may affect the Company's ability to make future capital expenditures and potential acquisitions. However, management believes that current asset levels provide adequate capacity to support its operations for at least the next 12 months. As of June 30, 2001, the Company did not have material commitments for capital expenditures or acquisitions other than for the construction of a new domestic distribution facility and the potential acquisition of M&D Balloons.

CASH FLOW DATA - SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

During the six months ended June 30, 2001, net cash provided by operating activities totaled $11.9 million, an increase of $5.8 million as compared to the corresponding period in 2000. Net cash flow provided by operating activities before changes in other operating assets and liabilities for the six months ended June 30, 2001 and 2000, was $15.5 million and $15.4 million, respectively. Net cash used as a result of changes in other operating assets and liabilities for the six months ended June 30, 2001 and 2000, was $3.6 million and 9.3 million, respectively. The significant increase in cash used during the first six months of 2000 primarily reflects the increase in inventory necessary to support the Company's solid color tableware program.

During the six months ended June 30, 2001, net cash used in investing activities of $15.1 million included payments of $10.5 million associated with the construction of the new domestic distribution facility and additional

investments primarily in manufacturing equipment. Net cash used in investing activities during the six months ended June 30, 2000 of $5.0 million principally reflected increased levels of capital expenditures for both manufacturing and warehouse machinery and equipment.

During the six months ended June 30, 2001, net cash provided by financing activities was $3.4 million and primarily consisted of proceeds from the issuance of the Series A Redeemable Convertible Preferred Stock totaling $6.0 million partially offset by payments made against the Term Loan and other long-term obligations. During the comparable period in 2000, net cash used in financing activities was $0.2 million and primarily consisted of payments made against the Term Loan, including a $1.3 million prepayment made during the first quarter of 2000 as required based on the Company's cash flows, and payments made against other long-term obligations, partially offset by the proceeds from short-term working capital borrowings.

LEGAL PROCEEDINGS

The Company is a party to certain claims and litigation in the ordinary course of business. The Company does not believe any of these proceedings will result, individually or in the aggregate, in a material adverse effect on its financial condition or future results of operations.

RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") SFAS No. 141, Business Combinations" ("SFAS No. 141") which supersedes Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations." SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations and modifies the application of the purchase accounting method. SFAS No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported separately from goodwill. The elimination of the pooling-of-interests method is effective for transactions initiated after June 30, 2001. 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. Management does not anticipate the adoption of this statement will have a significant effect on the Company's results of operations or financial position.

In July 2001, the FASB also issued SFAS No. 142, "Goodwill and Intangible Assets" ("SFAS No. 142") which supercedes APB Opinion No. 17, "Intangible Assets." SFAS No. 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life and addresses the impairment testing and recognition for goodwill and intangible assets. SFAS No. 142 will apply to goodwill and intangible assets arising from transactions completed before and after the effective date. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of SFAS 142 is expected to result in an estimated increase in net income of approximately $1.6 million per year. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or not significant to the financial statements of the Company.

"SAFE HARBOR" STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report includes "forward-looking statements" within the meaning of various provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this report that address activities, events or developments that the Company expects or anticipates will or may occur in the future, future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, including any changes to operations, goals, expansion and growth of the Company's business and operations, plans, references to future success and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. Actual results may differ materially from those discussed. Whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties, including, but not limited to (1) the concentration of sales by the Company to party goods superstores where the reduction of purchases by a small number of customers could materially reduce the Company's sales and profitability, (2) the concentration of the Company's credit risk in party goods superstores, several of which are privately held and have expanded rapidly in recent years, (3) the failure by the Company to anticipate changes in tastes and preferences of party goods retailers and consumers, (4) introduction of new product lines by the Company, (5) the introduction of new products by the Company's competitors, (6) the inability of the Company to increase prices to recover fully future increases in raw material prices, especially increases in paper prices, (7) the loss of key employees, (8) changes in general business conditions, (9) other factors which might be described from time to time in the Company's filings with the Commission, and (10) other factors which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements, and the actual results or developments anticipated by the Company may not be realized or, even if substantially realized, may not have the expected consequences to or effects on the Company or its business or operations. Although the Company believes that it has the product offerings and resources needed for continued growth in revenues and margins, future revenue and margin trends cannot be reliably predicted. Changes in such trends may cause the Company to adjust its operations in the future. Because of the foregoing and other factors, recent trends should not be considered reliable indicators of future financial results. In addition, the highly leveraged nature of the Company may impair its ability to finance its future operations and capital needs and its flexibility to respond to changing business and economic conditions and business opportunities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's earnings are affected by changes in interest rates as a result of its issuance of variable rate indebtedness. However, the Company utilizes interest rate swap agreements to manage the market risk associated with fluctuations in interest rates. If market interest rates for the Company's variable rate indebtedness averaged 2% more than the interest rate actually paid for the three months ended June 30, 2001 and 2000, the Company's interest expense, after considering the effects of its interest rate swap agreements, would have increased, and income before income taxes and minority interests would have decreased, by $0.4 million and $0.2 million, respectively. If market interest rates for the Company's variable rate indebtedness averaged 2% more than the interest rate actually paid for the six months ended June 30, 2001 and 2000, the Company's interest expense, after considering the effects of its interest rate swap agreements, would have increased, and income before income taxes and minority interests would have decreased, by $0.9 million and $0.4 million, respectively. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's borrowing cost, short-term investment balances, and interest rate swap agreements. This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management would likely take actions to further mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in the Company's financial structure.

The Company's earnings are also affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies, predominately in European countries, as a result of the sales of its products in foreign markets. Foreign currency forward contracts are used periodically to hedge against the earnings effects of such fluctuations. A uniform 10% strengthening in the value of the dollar relative to the currencies in which the Company's foreign sales are denominated would have resulted in a decrease in gross profit of $0.3 million for each of the three months ended June 30, 2001 and 2000, respectively. A uniform 10% strengthening in the value of the dollar relative to the currencies in which the Company's foreign sales are denominated would have resulted in a decrease in gross profit of $0.7 million for each of the six months ended June 30, 2001 and 2000, respectively. These calculations assume that each exchange rate would change in the same direction relative to the U.S. dollar. In addition to the direct effects of changes in exchange rates, which could change the U.S. dollar value of the resulting sales, changes in exchange rates also affect the volume of sales or the foreign currency sales price as competitors' products become more or less attractive. The Company's sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to certain claims and litigation in the ordinary course of business. The Company does not believe any of these proceedings will result, individually or in the aggregate, in a material adverse effect on its financial condition or future results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

a) Not applicable.

b) Not applicable.

In May 2001, the Company issued 0.333 shares of Common Stock to a former employee upon exercise of a stock option for $24,975 in cash. No underwriting discounts or commissions were paid in connection with such sale. These shares were part of an offering to a limited number of accredited investors and employees of the Company. Such sale was exempt under Section 4 (2) of the Securities Act of 1933.

d) Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

A Current Report on Form 8-K dated July 26, 2001, was filed responding to Item 5 regarding the signing of a letter of intent between Amscan and American Greetings pursuant to which Amscan would acquire American Greetings' subsidiary, M&D Balloons, a Manteno, Illinois-based manufacturer of metallic balloons.

SIGNATURE

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.

AMSCAN HOLDINGS, INC.

By: /s/ Michael A. Correale

Michael A. Correale
Vice President
(on behalf of the registrant and as principal accounting officer)

Date: August 3, 2001