

COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

(Business Address: No. Street City/Town/Province)

Ma. Rosario C.Z. Nava

Contact Person

750-9687 / 750-0498

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

**SEC Form 20-IS
(Preliminary)**

FORM TYPE

Last Friday of May

Month Date
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Article Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

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PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Km. 29 National Road, Tunasan, Muntinlupa City 1773 Philippines
Tel. No.: (632) 850-7901 Fax No.: (632) 850-7928
Website : www.pepsiphilippines.com

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for 2013 will be held on:

Date : **31 May 2013 (Friday)**
Time : **10:00 a.m.**
Venue : **The Palms Country Club, Alabang, Muntinlupa City**

The agenda of the meeting will be as follows:

1. Call to Order
2. Certification of Notice and of Quorum
3. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 25 May 2012
4. Report of the Chairman
5. Presentation of Audited Financial Statements for the year ended 31 December 2012
6. Ratification of Acts of the Board of Directors and Management for the previous year
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The Board of Directors has fixed the close of business on 26 April 2013 as the record date for the determination of stockholders entitled to notice of and to vote at the 2013 Annual Stockholders' Meeting.

For your convenience in registering your attendance, please bring any form of identification, such as passport or driver's license, as well as proof of your stockholdings.

12 April 2013, Makati City.


MA. ROSARIO C.Z. NAVA
Corporate Secretary



SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

[x] Preliminary Information Statement

[] Definitive Information Statement
2. Name of Registrant as specified in its charter:

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
3. Province, country or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification Number: **0000160968**
5. BIR Tax Identification Code: **000-168-541**
6. Address of principal office: Postal Code:

Km. 29 National Road, Tunasan, Muntinlupa City **1773**
7. Registrant's telephone number, including area code: **(632) 850-7901 to 20**
8. Date, time and place of the meeting of security holders: **31 May 2013, 10:00 a.m., The Palms Country Club, Alabang, Muntinlupa City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **10 May 2013**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares of Stock	3,693,772,279

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes X No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange - Common Shares of Stock

**WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

The Annual Stockholders' Meeting of Pepsi-Cola Products Philippines, Inc. (the "Corporation") will be held on Friday, 31 May 2013, 10:00 a.m., at The Palms Country Club, Alabang, Muntinlupa City.

Notices of the meeting and copies of this Information Statement will be first sent or given to the stockholders of record of the Corporation on or about 10 May 2013. Replies and queries must be sent to the following address:

MR. PARTHA CHAKRABARTI
Corporate Information Officer
Pepsi-Cola Products Philippines, Inc.
Km. 29 National Road, Tunasan,
Muntinlupa City 1773 Philippines

Item 2. Dissenters' Right of Appraisal

The matters to be acted upon at this Annual Stockholders' Meeting are not matters with respect to which a dissenting stockholder may exercise his appraisal right under Section 81 of the Corporation Code.

Under Section 81 of the Corporation Code, the following are the instances when a stockholder may exercise his appraisal right:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Corporation; and
3. In case of merger or consolidation.

In order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder must have voted against the proposed corporate action at the annual meeting. Within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action, the dissenting stockholder shall make a written demand on the Corporation for the fair value of his shares which shall be agreed upon by the dissenting stockholder and the Corporation. If the proposed corporate action is implemented, the Corporation shall pay the dissenting stockholder upon surrendering the certificates of stock representing his shares, the fair value of said shares on the day prior to the date on which the vote was taken. If the dissenting stockholder and the Corporation cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be made by three (3) disinterested persons, one (1) of whom shall be named by the dissenting stockholder, one (1) by the Corporation and the third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Corporation within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Corporation has any substantial interest, direct or indirect, in any of the matters to be acted upon in the Annual Stockholders' Meeting.

No director has informed the Corporation of his opposition to any matter to be acted upon during the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

The total number of shares of the Corporation outstanding and entitled to vote in the Annual Stockholders' Meeting is Three Billion Six Hundred Ninety-Three Million Seven Hundred Seventy-Two Thousand Two Hundred Seventy-Nine (3,693,772,279) common shares. The record date for purposes of determining the stockholders entitled to notice of and to vote at the Corporation's Annual Stockholders' Meeting is the close of business on 26 April 2013. Each stockholder shall be entitled to one (1) vote for each common share of stock held as of the record date.

Holders of the common shares of stock of the Corporation are entitled to vote on all matters to be voted upon by the stockholders. Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code states: "...In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit..."

Security Ownership of Record and Beneficial Owners of at Least Five Percent (5%) of the Corporation's Securities as of 31 March 2013

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	Lotte Chilsung Beverage Co., Ltd. ¹ c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong,	Same as indicated in column 2	Korean	1,270,657,644	34.40%

¹ Lotte Chilsung Beverage Co., Ltd. ("Lotte") is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea. Lotte, through its Board of Directors, has designated Mr. Yeon-Suk No to vote its shares of stock in the Corporation.

	Songpa-gu, Seoul, 138-727 Korea Relationship – Stockholder				
Common shares	Quaker Global Investments B.V. ² Zonnebaan 35, 35242 EB Utrecht The Netherlands Relationship – Stockholder	Same as indicated in column 2	Dutch	1,089,101,359	29.48%
Common shares	PCD Nominee Corporation (Non-Filipino) ³ 37 th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Non- Filipino	826,128,847	22.37%
Common shares	PCD Nominee Corporation (Filipino) ⁴ 37 th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Filipino	501,531,492	13.58%

² Quaker Global Investments B.V. (“QGI”) is a corporation duly organized and existing under and by virtue of the laws of the Netherlands with principal office at Zonnebaan 35, 35242 EB Utrecht, The Netherlands. QGI, through its Board of Directors, has designated Mr. Partha Chakrabarti to vote its shares of stock in the Corporation.

³ PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depository, Inc. (“PCD”), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. While PCD Nominee Corporation is the registered owner of the shares in the Corporation’s books, the beneficial ownership of such shares pertains to PCD participants (brokers) and/or their non-Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books. Under PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders’ meeting, PCD will execute a pro-forma proxy in favor of the participants for the total number of shares in their respective principal securities account, as well as for the total number of shares in their client securities account. For shares held in the principal securities account, the participant is appointed as proxy with full voting rights and powers as registered owner of such shares. For shares held in the client securities account, the participant is appointed as proxy with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by them.

⁴ Same as footnote 3 above except that the beneficial ownership of shares registered in the name of PCD Nominee Corporation pertains to PCD participants (brokers) and/or their Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books.

Security Ownership of Management as of 31 March 2013

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Oscar S. Reyes Chairman of the Board (Non-Executive) and Independent Director c/o Unit 2504 Corporate Center, 139 Valero Street, Salcedo Village, Makati City	1*	Filipino	Nil
Common shares	Yeon-Suk No Chief Executive Officer c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Korean	Nil
Common shares	Partha Chakrabarti President c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Indian	Nil
Common Shares	Jaehyuk Lee Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea	1*	Korean	Nil
Common shares	Choong Ik Lee Non-Executive Director c/o 25th Floor, Lotte Bldg. 1, Sogong-dong, Jung-gu, Seoul (100-721), Korea	1*	Korean	Nil
Common shares	Byoung Tak Hur Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea	1*	Korean	Nil
Common shares	Qasim Khan Non-Executive Director c/o 25th Floor Emporium Tower, 622 Sukhumvit Road, Klongton, Klongtoey, Bangkok, Thailand	1*	Pakistani	Nil
Common shares	Vinod Rao Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Rafael M. Alunan III Independent Director No. 63 9 th Street, New Manila, Quezon City	1*	Filipino	Nil
Common Shares	Imran Moid Senior Vice-President and Chief Financial Officer	0	Pakistani	0%

	c/o Km. 29 National Road, Tunasan, Muntinlupa City			
Common shares	Daniel D. Gregorio, Jr. Senior Vice-President, Manufacturing and Logistics c/o Km. 29 National Road, Tunasan, Muntinlupa City	70,000 Direct ownership	Filipino	0.0019%
Common Shares	Celerino T. Grecia III Senior Vice-President, Human Resources/EIR/Legal c/o Km. 29 National Road, Tunasan, Muntinlupa City	50,000 Direct ownership	Filipino	0.0014%
Common Shares	Juan Gabriel P. Sison Executive Vice-President, Sales c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Samuel M. Dalisay, Jr. Vice-President, Supply Chain c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Angelica M. Dalupan Vice-President, Corporate Affairs and Communications c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary and Compliance Officer c/o 7th Floor The Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City	10,000 Direct ownership	Filipino	0.0003%

* Each of the directors is the registered owner of at least one (1) qualifying share.

The aggregate shareholdings of directors and key officers of the Corporation as of 31 March 2013 amounted to 130,009 shares which is approximately 0.0035% of the Corporation's outstanding capital stock.

Changes in Control

The Corporation is not aware of any voting trust agreement or any other similar agreement which may result in a change in control of the Corporation.

Certain Relationships and Related Transactions

Please refer to Note 13 to the Audited Financial Statements for the year ending 31 December 2012 for details on related party transactions.

Item 5. **Directors and Executive Officers**

Term of Office

Directors elected during the annual meeting of stockholders will hold office for one (1) year until their successors are duly elected and qualified, except in case of death, resignation, disqualification or removal from office. Directors who were elected to fill any vacancy shall hold office only for the unexpired term of their predecessors.

Directors

The following are the names, ages, citizenship and years position was assumed of the incumbent directors, including independent directors, of the Corporation:

Name	Age	Citizenship	Year Position was Assumed
Yeon-Suk No	48	Korean	2010
Partha Chakrabarti	48	Indian	2010
Jaehyuk Lee	59	Korean	2011
Choong Ik Lee	48	Korean	2012
Byoung Tak Hur	50	Korean	2012
Qasim Khan	56	Pakistani	2008
Vinod Rao*	50	Indian	2012
Rafael M. Alunan III**	64	Filipino	2007
Oscar S. Reyes**	66	Filipino	2007

*Replaced Mr. John L. Sigalos who resigned effective 19 June 2012

** Independent Director

Executive Officers

The following are the names, ages, citizenship, positions, and years position was assumed of the incumbent executive officers of the Corporation:

Name	Age	Citizenship	Position	Year Position was Assumed
Yeon-Suk No	48	Korean	Chief Executive Officer	2012
Partha Chakrabarti	48	Indian	President	2010
Imran Moid*	44	Pakistani	Senior Vice-President and Chief Financial Officer	2012
Daniel D. Gregorio, Jr.	61	Filipino	Senior Vice-President, Manufacturing and Logistics	1998
Celerino T. Grecia III	56	Filipino	Senior Vice-President, Human Resources/EIR/Legal	2011
Juan Gabriel P. Sison	56	Filipino	Executive Vice-President, Sales	2011
Samuel M. Dalisay, Jr.	53	Filipino	Vice-President, Supply Chain	2011
Angelica M. Dalupan	41	Filipino	Vice President, Corporate Affairs and Communications	2012
Ma. Rosario C.Z. Nava	44	Filipino	Corporate Secretary and Compliance Officer	2007

*Replaced Mr. Akash Shah who resigned effective 28 June 2012

Background Information and Business Experience

Directors:

YEON-SUK NO

Mr. No is the incumbent Chief Executive Officer (“CEO”) of the Corporation. Prior to his appointment as CEO, he was the Executive Vice-President and Chief Strategy Officer of the Corporation. Previously, he also held a number of positions in Lotte Chilsung Beverage Co., Ltd. including being the Head of the Overseas Business Department, Sales Branch, and Sales Strategy & Support Team. He was also Manager of Product Planning, Advertisement, Information and Strategy in said company. Mr. No holds a Bachelor of Business Administration degree from the Hanyang University.

PARTHA CHAKRABARTI

Mr. Chakrabarti has been employed by PepsiCo since 1994 and he remains a PepsiCo employee while holding his current position in the Corporation under a formal secondment agreement. He is currently the Corporation’s President. Prior to this, he was the Corporation’s CEO, Executive Vice-President/Chief Operating Officer (“COO”) for Finance, Treasury, HR/EIRC/Legal, Manufacturing and Logistics and before that, he was its Senior Vice-President/Chief Financial Officer (“CFO”). Mr. Chakrabarti began his career with PepsiCo India, where he held a number of positions before moving to Vietnam as CFO of PepsiCo’s business there. Before joining PepsiCo, he worked for ICI India. He holds a Bachelor of Science degree in Commerce from the University of Calcutta and is an Associate of The Institute of Chartered Accountants in India.

JAEHYUK LEE

Mr. Lee is the current President/CEO of Lotte Chilsung Beverage Co., Ltd., Lotte Liquor Co., Ltd. and Lotte Asahi Liquor Co., Ltd. Prior positions held included being President of Lotte HQ, CEO of Lotteria Co., Ltd., and Senior Managing Director of Lotte Chilsung Beverage Co., Ltd.

CHOONG IK LEE

Mr. Lee has been with the Lotte Group for twenty-three (23) years now. He is currently the Director of the International and New Business Division of the Lotte Group. Prior to this appointment, he was the Division’s General Manager, was Deputy General Manager of Lotte Group’s Corporate Strategy and Planning Division, and before that, Assistant Manager of the Marketing Division of Lotte Confectionery Co., Ltd. He holds a Bachelor of Science in Food Science and Technology from Seoul National University.

BYOUNG TAK HUR

Mr. Hur is currently the Director of Lotte Chilsung Beverage Co., Ltd.’s Overseas Business Department. His past work experience in Lotte Chilsung Beverage Co., Ltd. included being Team Leader of the Overseas Business team and having worked at the Export, Information and Strategy, Development, Quality Control and Product Control departments thereof. He was also previously connected with the Lotte Foundation.

QASIM KHAN

Mr. Khan has been connected with PepsiCo for the last twenty-four (24) years and has occupied various executive and managerial roles in different regional offices of PepsiCo. He is currently General Manager and President of PepsiCo's North Asia and South Asia Business Unit. Prior to joining PepsiCo, he worked for Procter & Gamble. He holds an MBA and Marketing degrees (with honors) from Michigan State University.

VINOD RAO

Mr. Rao is currently the CFO and Vice-President for Asia Pacific Region of PepsiCo Hong Kong, LLC. His past work experience in PepsiCo included being Vice-President for New Business Development and CFO for China Beverages of PepsiCo China, and CFO for India Beverages and Planning Director of PepsiCo India. Prior to joining PepsiCo, he performed several roles in ICI India Limited. He holds a Bachelor of Science degree in Commerce from Chennai University, India and is a Chartered Accountant from the Institute of Chartered Accountants of India.

RAFAEL M. ALUNAN III

Mr. Alunan has had extensive experience in the private and public sectors. He sits on the Boards of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company and Grepalife Asset Management Corp., and on various board committees. Mr. Alunan is also on the Board of the University of St. La Salle and sits on various board committees. He serves as Vice-President in the Board of Governors of the Management Association of the Philippines and is a Director of Rafael Alunan Agro-Development Inc. He is a regular columnist of Business World. Mr. Alunan obtained his double degree in Business Administration and History-Political Science from the De La Salle University, attended the MBA - Senior Executive Program of the Ateneo de Manila University, and obtained a Master's degree in Public Administration from Harvard University, John F. Kennedy School of Government. He holds the rank of Colonel in the Armed Forces of the Philippines, held the post of Commanding Officer of the 131st Infantry Standby Reserve and 9th Infantry Ready Reserve Divisions, and is a graduate of the Philippine Army's Command and General Staff College.

OSCAR S. REYES

Mr. Reyes is the incumbent Chairman of the Board of Directors of the Corporation. He was Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. for many years. He holds a Bachelor of Arts in Economics (*Cum laude*) from the Ateneo de Manila University and a Diploma in International Business from the Waterloo Lutheran University in Toronto, Canada, and completed the Program for Management Development at the Harvard Business School. He is currently the President and Chief Executive Officer and Director of the Manila Electric Company. He also serves as a director and a member of board committees in the boards of companies engaged in banking, insurance, telecommunications, water distribution, real estate, shipping and mining and as a Trustee of various foundations.

Executive Officers:

IMRAN MOID

Mr. Moid is currently the Corporation's Senior Vice-President and CFO under a secondment agreement from PepsiCo of which he remains an employee. He has been with PepsiCo for 16 years and is a two-timer recipient of the PepsiCo Chairman's Award, which he won in 2000 and 2011. He

has vast experience of handling single and multiple country portfolio, food and beverages portfolio, M & A, and roles in Controllershship, Treasury and Taxation. Prior to joining PepsiCo, he worked for KPMG & PWC for six (6) years in audit and consultancy capacities. He holds a Bachelor of Commerce degree from Punjab University, Lahore and is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan.

DANIEL D. GREGORIO, JR.

Mr. Gregorio is currently the Corporation's Senior Vice-President for Manufacturing and Logistics. He has been with the Corporation for fifteen (15) years; and during this period, he held various positions in the Corporation. He began his career as a systems analyst for Coca-Cola Bottling Philippines, Inc. and rose to the position of Chief Accountant. In 1987, he moved to Indonesia as Country General Manager for Coca-Cola Amatil, the owner of the local Coca-Cola bottler. He holds a Bachelor of Science degree in Industrial Engineering.

CELERINO T. GRECIA III

Mr. Grecia is currently the Corporation's Senior Vice-President for Human Resources, Employee Industrial Relations, and Legal. He has been with the Corporation for twenty-nine (29) years and during this period he held various positions in the Corporation's Personnel/Human Resources and Sales departments. He holds a Bachelor of Science degree in Criminology (*Magna Cum Laude*) and a Bachelor of Laws (*Cum Laude*) both obtained from the University of Iloilo.

JUAN GABRIEL P. SISON

Mr. Sison is currently the Corporation's Executive Vice-President for Sales. Prior to joining the Corporation, he was Vice-President for Sales directly reporting to the President/CEO of the Century Pacific Group. He has vast experience in sales having occupied various positions in the sales departments of Del Monte Philippines, Inc., S.C. Johnson & Son, Inc., Phil-Asia Food Industries Corp., and Procter & Gamble Philippines. He holds a Bachelor of Science degree in Psychology from the University of the Philippines.

SAMUEL M. DALISAY, JR.

Mr. Dalisay is currently the Corporation's Vice-President for the Supply Chain Group, which includes Corporate Purchasing, National Logistics Services and Marketing Equipment Management. Prior to joining the Corporation, he worked as an expatriate in Vietnam and served as Purchasing Director of THP Group until early 2011. Before that, he had worked for Jollibee Foods Corporation for almost fourteen (14) years until 2010 starting as Purchasing Manager for Foods until his last position as Corporate Purchasing Director for International Operations, and for Sime Darby Pilipinas, Inc. as Materials Management Division Manager for eleven (11) years until 1996. He is a Certified Purchasing Manager from the Institute of Supply Management - USA and a Professional Agricultural Engineer. He holds a Master's degree in Business Management from the Asian Institute of Management.

ANGELICA M. DALUPAN

Ms. Dalupan is currently the Corporation's Vice President for Corporate Affairs and Communications. Prior to joining the Corporation, she worked as Communications Director of Pfizer Inc. and the Communications Country Lead for the Philippines. She had also worked for sixteen (16) years in the Corporate Communications and Relations department of Unilever Philippines Inc. from 1994 until 2010 when she held the position of Corporate Relations Director directly reporting to the

President. She holds a Bachelor of Science degree in Business Administration and a Master's degree in Business Administration both received from the University of the Philippines.

MA. ROSARIO C.Z. NAVA

Ms. Nava is currently the Corporate Secretary and Compliance Officer of the Corporation. She is a practicing lawyer and a member of the Integrated Bar of the Philippines since 1995. She has been a director and the Corporate Secretary of Soletron Philippines Inc. since 2005 and has been the Corporate Secretary of CPAC Monier Philippines, Inc. since 2004 and is also currently a Director thereof. She was also a Director of Hewlett-Packard Philippines Corp. from 2001 to 2002, and re-elected in 2004 up to 2007, and was its Corporate Secretary from 2006 to 2007. She holds a Bachelor of Science degree in Management, Major in Legal Management (with honors) from the Ateneo de Manila University and a *Juris Doctor* degree from the Ateneo Law School.

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Stockholders' Meeting due to any disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

No single person is expected to make an indispensable contribution to the business since the Corporation considers the collective efforts of all its employees as instrumental to the overall success of the Corporation's business. The Corporation is not aware of any family relationship between or among the aforementioned Directors or Executive Officers up to the fourth civil degree.

Except for the payment of annual directors' fee and per diem allowances, the Corporation has not had any transaction during the last two (2) years in which any Director or Executive Officer had a direct or indirect interest.

None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Nomination for Election as Members of the Board of Directors

The following have been nominated for re-election as members of the Board of Directors for the ensuing year (2013-2014):

Yeon-Suk No
Partha Chakrabarti
JaeHyuk Lee
Choong Ik Lee
Byoung Tak Hur
Qasim Khan
Vinod Rao
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

All of the above nominees are incumbent Directors. Messrs. Yeon-Suk No, JaeHyuk Lee, Choong Ik Lee, and Byoung Tak Hur have been formally nominated by Lotte Chilsung Beverage Co., Ltd. Messrs. Partha Chakrabarti, Vinod Rao, and Qasim Khan have been formally nominated by Quaker Global Investments B.V. Lotte Chilsung Beverage Co. Ltd. and Quaker Global Investments B.V. are stockholders of the Corporation.

The Corporation has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The independent directors, Messrs. Rafael M. Alunan III and Oscar S. Reyes, have both been nominated by Federico Claudio G. Sandoval and Marina R. Espiritu, registered stockholders of the Corporation who are not directors, officers or substantial stockholders of the Corporation and who are not related in any way to either Mr. Alunan or Mr. Reyes. Attached are the updated Certificates of Qualification for 2013 of the nominated independent directors Messrs. Alunan and Reyes.

Mr. Alunan is the incumbent Chairman of the Audit Committee of the Corporation. The incumbent members of the Audit Committee are as follows: Messrs. Oscar S. Reyes, JaeHyuk Lee and Vinod Rao.

Mr. Alunan is the incumbent Chairman of the Nomination Committee of the Corporation. The incumbent members of the Nomination Committee are as follows: Messrs. Yeon-Suk No and Vinod Rao.

Mr. Alunan is the incumbent Chairman of the Compensation and Remuneration Committee of the Corporation. The incumbent members of the Compensation and Remuneration Committee are as follows: Messrs. Oscar S. Reyes, Yeon-Suk No and Vinod Rao.

In 2007, the Corporation amended its By-Laws providing for the procedure for nominating members of the Corporation's Board of Directors. The By-Laws provide that the Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications provided for in the Articles of Incorporation, By-Laws, the Manual of Corporate Governance, applicable laws, regulations and resolutions and rules passed by it, the stockholders and the Board of Directors. Accordingly, on 19 March 2013, the Nomination Committee approved the final list of candidates for the Board of Directors which included all of the abovenamed individuals.

Item 6. **Compensation of Directors and Executive Officers**

The aggregate compensation paid or accrued (in Philippine Peso) in the calendar years ended 31 December 2012 and 31 December 2011 and estimated to be paid for the ensuing calendar year 31 December 2013 to the Executive Officers of the Corporation is set out below:

Name	Year	Salary	Bonus	Others
Aggregate for CEO and four (4) most highly compensated executive officers named below	CY 2011	44,780,422	1,042,500	-
	CY 2012	40,650,154	665,500	-
	Estimated 2013	44,365,226	2,802,000	-
All other directors and officers as a group unnamed	CY 2011	5,674,566	-	1,376,470*
	CY 2012	9,815,833	414,750	1,744,412*
	Estimated 2013	13,155,148	2,633,100	1,858,235*

* This relates to per diem allowances and annual directors fee paid to the directors.

The following are the five (5) highest compensated directors and/or officers of the Corporation:

- Yeon-Suk No – CEO (*effective from 21 February 2012*) and Executive Vice-President & Chief Strategy Officer (*until 20 February 2012*) in 2012 and Hwang Chung – Chairman of the Board & CEO (*resigned on 21 February 2012*) in 2011
- Partha Chakrabarti – President (*effective from 20 October 2010*)
- Daniel D. Gregorio, Jr. – Senior Vice-President for Manufacturing & Logistics
- Imran Moid – Senior Vice-President & Chief Financial Officer (*effective from 28 June 2012*) and Akash Shah (*prior to 28 June 2012*)
- Juan Gabriel P. Sison – Executive Vice-President, Sales (*effective from 15 July 2011*) in 2012; Celerino T. Grecia III – Senior-Vice President, Human Resources/EIR/Legal (*effective from 1 April 2011*) in 2011 and Roberto H. Goce – Senior Vice President/Senior General Manager in 2010.

There are no special employment contracts between the Corporation and the above Executive Officers.

Non-executive Directors are entitled to a per diem allowance of One Thousand Five Hundred United States Dollars (US\$1,500.00) for each attendance in the Corporation's Board meetings (except for the Chairman of the Board who receives Two Thousand United States Dollars (US\$2,000.00) for each such attendance) as well as for committee meetings, except for Audit Committee meetings where the per diem allowance is Two Thousand United States Dollars (US\$2,000.00). In addition, each Director is entitled to receive an annual directors' fee in the amount of Five Hundred Thousand Pesos (P500,000.00).

The seven (7) Directors representing Lotte Chilsung Beverage Co., Ltd. and Quaker Global Investments B.V. do not collect the per diem allowance as well as the annual directors' fee.

There are no outstanding warrants or options held by the above Executive Officers and all such officers and Directors as a group.

Item 7. **Independent Public Accountants**

The auditing firm of Manabat Sanagustin & Co. is being recommended for election as external auditor for the ensuing year (2013-2014).

Representatives of said firm are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Aggregate fees billed by the Corporation's external auditor for professional services in relation to (i) the audit of the Corporation's annual financial statements and services in connection with statutory and regulatory filings; and (ii) tax accounting, compliance, advice, planning, and any other form of tax services are summarized as follows:

	Calendar Year ended 31 December 2012	Calendar Year ended 31 December 2011	Six Months period ended 31 December 2010
Statutory audit fees	P 3.95 Million	P 3.83 Million	P 3.08 Million
Tax advice fees	-	-	-
Total	P 3.95 Million	P 3.83 Million	P 3.08 Million

The Audit Committee of the Corporation reviews and approves the audit plan and scope of work for the above services and ensures that the rates are competitive as compared to the fees charged by other equally competent external auditors performing similar services.

During the Corporation's two (2) most recent fiscal years or any subsequent interim periods, there was no instance where the Corporation's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Corporation had any disagreement with its public accountants on any accounting or financial disclosure issue.

In compliance with Rule 68 (3) (b) (iv) of the Securities Regulation Code, the Corporation has engaged Ms. Emerald Anne C. Bagnes, partner of Manabat Sanagustin & Co., to sign the Corporation's audited financial statements for the calendar year ended 31 December 2012.

Item 8. Compensation Plans

There is no action or matter to be taken up with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There is no action or matter to be taken up with respect to the authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

There is no action or matter to be taken up with respect to the modification of any class of securities of the Corporation, or the issuance or authorization for issuance of one (1) class of securities of the Corporation in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The Corporation has incorporated by reference the following as contained in the Management Report in accordance with Rule 68 of the Amended Rules and Regulations of the Securities Regulation Code:

1. Audited financial statements showing the financial position of the Corporation for the calendar years ended 31 December 2012 and 31 December 2011, and for the six (6)-month period from 1 July to 31 December 2010 (in view of the change in accounting period from fiscal year ending 30 June to calendar year ending 31 December), and its financial performance and cash flows for the same periods;
2. Management's discussion and analysis or plan of operation; and
3. Information on business overview, properties, legal proceedings, market price of securities, dividends paid and corporate governance.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action or matter to be taken up with respect to mergers, consolidations, acquisitions, sales or other transfers, liquidation, dissolution and similar matters.

Item 13. Acquisition or Disposition of Property

There is no action or matter to be taken up with respect to the acquisition or disposition of any property.

Item 14. Restatement of Accounts

There is no action or matter to be taken up with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Minutes of the previous Annual Stockholders' Meeting ("ASM") held on 25 May 2012 will be submitted for approval of the stockholders. This includes items on (i) Approval of the Minutes of the Previous ASM held on 27 May 2011; (ii) Report of the Chairman; (iii) Presentation of Audited Financial Statements for the year ended 31 December 2011; (iv) Ratification of Acts of the Board of Directors and Management for the previous year; (v) Election of Directors, including Independent Directors; and (vi) Appointment of External Auditors.

Item 16. Matters Not Required to be Submitted

Except for the Report of the Chairman and the Presentation of the Audited Financial Statements for the year ended 31 December 2012, all other actions or matters to be taken up during the Annual Stockholders' Meeting will require the vote of the security holders.

Item 17. Amendment of Charter, By-Laws or Other Documents

There is no action or matter to be taken up with respect to any amendment of the Corporation's Articles of Incorporation, By-laws or other documents.

Item 18. Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management for the previous year which were issued in the normal course of the business operations of the Corporation such as updating of authorized signatories for various bank and other transactions and applications for various credit facilities, among others;
2. Election of the members of the Board of Directors, including the Independent Directors, for the ensuing calendar year; and

3. Appointment of External Auditors.

Item 19. **Voting Procedures**

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one (1) vote.

For the purpose of electing directors, a stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he/she may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal, or he/she may distribute them in the same principle among as many candidates as he/she shall see fit.

Voting requirements

- (a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.
- (b) With respect to the approval or ratification of the other actions set forth under the heading "Other Proposed Actions" above, the vote of a majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary, assisted by her staff and the stock transfer agent, will be responsible for counting and tabulating the votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Stockholders' Meeting.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

**PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Km. 29 National Road
Tunasan, Muntinlupa City 1773 Philippines**

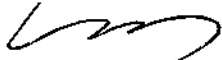
Attention: Mr. Partha Chakrabarti

SIGNATURE PAGE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

12 April 2013



YEON-SUK NO

Chief Executive Officer



PARTHA CHAKRABARTI

President

MANAGEMENT REPORT

I. GENERAL NATURE AND SCOPE OF THE BUSINESS

Overview

Pepsi-Cola Products Philippines, Inc. (the "Corporation") was registered with the Philippine Securities and Exchange Commission ("SEC") on 8 March 1989 primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks and non-carbonated beverages to retail, wholesale, restaurants and bar trades. The registered office address and principal place of business of the Corporation is Km. 29, National Road, Tunasan, Muntinlupa City. The Corporation has amended its primary purpose clause and is now also authorized to engage in the manufacture, sales and distribution of confectionery products.

The Corporation is a licensed bottler of PepsiCo and Pepsi Lipton beverages in the Philippines. It manufactures a range of carbonated soft drinks ("CSD") and non-carbonated beverages ("NCB") that includes well-known brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, Mug, Gatorade, Tropicana/Twister, Lipton, Sting and Propel.

Philippine Beverage Industry

The Corporation competes in the ready-to-drink, non-alcoholic beverage market across the Philippines. The market is highly competitive and competition varies by product category. The Corporation believes that the major competitive factors include advertising and marketing programs that create brand awareness, pack and price promotions, new product development, distribution and availability, packaging and customer goodwill. The Corporation faces competition generally from both local and multinational companies across the Corporation's nationwide operations.

Competitors in the CSD market are The Coca-Cola Company and Asiatwide Refreshments Corporation. The substantial investment in multiple plants, distribution infrastructure and systems, and the float of returnable glass bottles ("RGBs") and plastic shells required to operate a nationwide beverage business using RGBs represent a significant barrier to potential competitors in widening their reach.

The market for NCB (including energy drinks) is more fragmented. Major competitors in this market are Del Monte Pacific Limited, Universal Robina Corporation, Zesto Corporation, The Coca-Cola Company, and Asia Brewery Incorporated, among others. In recent years, the market has been relatively fluid with frequent product launches and shifting consumer preferences. These trends are expected to continue.

Industry-wide competition intensified with marketing campaigns and trade and consumer promotions. The Corporation believes that it can effectively compete by maximizing its 360-degree marketing presence, maintaining its competitive price structures, and expanding the range and reach of the Corporation's portfolio. For the years to come, the Corporation will continue to expand its beverage offerings leveraging its wide manufacturing platform and extensive distribution reach to meet consumer demands.

Moreover, the Corporation invested aggressively, positioning the business for long-term growth while ensuring financial flexibility to battle current challenges. The Corporation expanded and upgraded manufacturing facilities in different plants to provide multiple product capabilities, maximize cost savings, improve product quality, and increase operating efficiencies.

Customers/Distribution Methods of the Products

The Corporation has a broad customer base nationwide. Its customers include supermarkets, convenience stores, bars, *sari-sari* stores, and *carinderias*.

The Corporation's sales volumes depend on the reach of its distribution network. It increases the reach of its distribution system by adding routes and increasing penetration by adding outlets on existing routes that currently do not stock its products. It relies on a number of channels to reach retail outlets, including direct sales, distributors, and wholesalers.

The backbone of the distribution system is what is referred to as "Entrepreneurial Distribution System," which consists of independent contractors who service one or more sales "routes," usually by truck, selling directly to retail outlets and collecting empty RGBs.

It also employs its own sales force, which principally sells to what is referred to as the "modern trade" channel, consisting largely of supermarkets, restaurants and convenience store chains. Most of these sales are credit sales that are fulfilled by third party distributors. In addition, it sells products to third party wholesalers and distributors, which sell them to retail outlets.

An important aspect of the distribution system is the infrastructure-intensive process of selling and delivering RGB products to thousands of small retailers, including *sari-sari* stores and *carinderias*. The efforts to increase the reach of its distribution network require significant investments in distribution infrastructure such as additional trucks, refrigeration equipment, warehouse space and a larger "float" of glass bottles and plastic shells, as well as higher costs for additional sales and distribution staff.

Principal Suppliers

Over half of total costs comprise purchases of raw materials. Largest purchases are of sugar and beverage concentrates. The Corporation purchases its sugar requirements domestically because of import restrictions imposed by the Philippine Government. It purchases beverage concentrates from PepsiCo, Inc. and Pepsi Lipton International Limited through Pepsi-Cola Far East Trade Development Co., Inc. at prices that are fixed as a percentage of the wholesale prices charged for the finished products, subject to a floor price in United States dollars.

Another substantial cost is packaging. The major components of this expense are purchases of PET pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans and closures. It also makes regular purchases of RGBs to maintain float at appropriate levels. Purchases of each of these materials are from suppliers based in the Philippines and in other parts of Asia, usually under short-term, fixed price contracts.

Legal Proceedings

From time to time, the Corporation becomes a party to litigation in the ordinary course of its business. The majority of the cases in which the Corporation is a party are cases it files to recover debts in relation to unpaid receivables by its trade partners or in relation to cash or route shortages, private criminal prosecutions that it brings (generally for low-value offenses such as theft of product or distribution equipment, fraud, and bouncing checks), labor cases for alleged illegal dismissal (which are usually accompanied by demands for reinstatement in the Corporation without loss of seniority rights, and payment of backwages), and consumer cases brought against it involving allegations of defective products.

As a result of a promotion in 1992, civil cases were filed against the Corporation in which thousands of individuals claimed to hold numbered bottle crowns that entitled them to a cash prize. The

Philippine Supreme Court has consistently held in at least seven (7) final and executory decisions in the last five (5) years that the Corporation is not liable to pay the amounts claimed. In the most recent of these decisions, the Supreme Court dismissed a similar claim, reiterating that it is bound by its pronouncement in a number of cases involving this promotion. By virtue of the precedential effect of these decided cases, the Corporation expects the remaining cases to be dismissed in due course.

The Corporation does not believe that the litigation in which it is currently involved or which is presently pending or threatened against it is material, either individually or in the aggregate. The Corporation has not been involved in any bankruptcy, receivership or other similar proceedings.

II. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Corporation's common shares were listed in the Philippine Stock Exchange ("PSE") on 1 February 2008. The high and low sales prices of such shares for the years 2012 and 2011 and for the first quarter of 2013 are set out below.

Period	High	Low
January to March 2011	P2.59	P2.06
April to June 2011	P2.56	P2.21
July to September 2011	P2.22	P1.96
October to December 2011	P2.50	P2.10
January to March 2012	P3.00	P2.06
April to June 2012	P2.89	P2.50
July to September 2012	P4.11	P2.72
October to December 2012	P6.61	P4.00
January to March 2013	P6.88	P5.85

The closing share price as of 31 March 2013 was **P6.28**.

Stockholders

The Corporation has approximately six hundred twenty-four (624) holders of common shares [with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two (2) holders] as of 31 March 2013 based on the number of accounts registered with the Corporation's stock transfer agent, Stock Transfer Service Inc. ("STSI").

The following are the Corporation's top twenty (20) holders of common shares based on the report furnished by STSI as of 31 March 2013:

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO. LTD.	1,270,657,644	34.40%
2	QUAKER GLOBAL INVESTMENTS B.V.	1,089,101,359	29.48%
3	PCD NOMINEE CORP. (NON-FILIPINO)	826,128,847	22.37%
4	PCD NOMINEE CORP. (FILIPINO)	501,531,492	13.58%
5	LARS DALBY	507,200	0.01%
6	JOSEPH MARTIN H. BORROMELO	450,000	0.01%
7	LUCIO W. YAN	300,000	0.01%
8	RENE B. BLANCAVER	255,000	0.01%
9	WINEFREDA O. MADARANG	250,000	0.01%

10	VALERIANO A. LUGTI	220,000	0.01%
11	FELIX S. YU	149,998	0.00%
12	JUANITO R. IGNACIO	100,000	0.00%
13	JOSE I. UMALI	100,000	0.00%
14	MA. CORAZON V. PINEDA	100,000	0.00%
15	MA. CELESTE S. NARCISO	100,000	0.00%
16	ROSAURO P. DINO	70,000	0.00%
17	ROBERTO E. TONGCUA	70,000	0.00%
18	CECILIA R. DUGURAN	60,000	0.00%
19	ROBERTO H. GOCE	60,000	0.00%
20	FELICITO C. SEBASTIAN	57,000	0.00%

Cash Dividends

The Board of Directors ("Board") approved several declarations of cash dividends amounting to ₱369 million in the six (6) months ending 31 December 2010 and ₱554 million in fiscal year 2010. Details of the declarations are as follows:

<u>Date of Declaration</u>	<u>Dividend Per Share</u>	<u>Payable to Stockholders of Record as of</u>	<u>Date of Payment</u>
30 September 2009	₱0.15	15 October 2009	29 October 2009
9 September 2010	₱0.10	24 September 2010	8 October 2010

Dividend Policy

The Corporation has a dividend policy to declare dividends to stockholders of record, which are paid from unrestricted retained earnings. Any future dividends it pays will be at the discretion of the Board after taking into account the earnings, cash flow, financial condition, capital and operating progress, and other factors as the Board may consider relevant. Subject to the foregoing, the present policy is to pay cash dividends up to fifty percent (50%) of its preceding year's annual net income. This policy may be subject to future revision.

The declaration and payment of cash dividends are subject to approval by the Board without any further need for stockholders' approval. On the other hand, the declaration and payment of stock dividends require the further approval of the stockholders representing no less than two-thirds (2/3) of the Corporation's outstanding capital stock.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There has been no recent sale of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

III. FINANCIAL STATEMENTS

Please refer to the Audited Financial Statements of the Corporation for the calendar year ended 31 December 2012 which is attached hereto as Exhibit "1".

IV. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change in the independent auditing firm or handling partner or disagreements with the independent Certified Public Accountant (“CPA”) on matters relating to the application and interpretation of accounting principles or practices, tax laws and regulations, financial statement disclosures or audit scope and procedures during the three (3) most recent fiscal years.

V. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Results of Operations

Calendar Year Ended 31 December 2012 versus Calendar Year Ended 31 December 2011

The Corporation delivered strong top-line sales, an impressive feat given the aggressive competition, marketplace challenges and heavy monsoon rains. It continued its focus on driving the growth of both CSD and NCB by continuing the strategic plan to drive affordability and availability across the Philippines. Gross sales, fuelled by remarkable sales volume performance across brands and categories, reached ₱22.73 billion for the year, a considerable increase of fourteen percent (14%) from 2011.

Cost of sales, which consists primarily of raw and packaging materials, direct labor and manufacturing overhead, increased by six percent (6%) from 2011, driven mainly by higher sales volume. However, as a percentage of net sales, cost of sales decreased by six (6) percentage points (“PP”) from 2011 levels, mainly due to the price rollback of sugar, a major cost component.

As a result, the Corporation’s gross profit reached ₱5.29 billion, an increase of forty-four percent (44%) from 2011. Gross profit percentage to net sales increased by six (6) PP compared to 2011 levels.

Strong growth helped to make strategic investments in Capex, Marketing and Sales staff resulting in the slight increase in Operating Expenses percentage to net sales by two (2) PP. Operating expenses mainly consisting of selling and distribution, general and administrative, and marketing expenses, remained manageable.

The Corporation’s net income significantly improved to ₱844 million, an increase of one hundred ninety-two percent (192%) compared to 2011.

Calendar Year Ended 31 December 2011 versus Annualized Six (6)-Month Period Ended 31 December 2010

In spite of the industry and macro challenges that came upon in 2011, gross sales revenue reached ₱19.96 billion, representing an increase by one percent (1%) versus the annualized 2010 figure. This performance was mainly due to the aggressive expansion of the use of returnable packaging format for the Corporation’s NCBs across the country and the growth in the flavors line of the CSD business. This is in line with the Corporation’s strategy of maintaining a firm position in the CSD market and increasing the revenue share of NCBs in its portfolio.

Unfortunately, commodity pressure increased significantly, especially sugar, a major cost component, where its price sharply increased. In addition, the Corporation is overlapping the effects of election-related spending that fuelled volume growth in 2010 together with a long, hot peak weather season.

Cost of sales consists primarily of raw and packaging materials costs, direct labor and manufacturing overhead costs. Cost of sales in 2011 increased by three percent (3%) compared with the annualized 2010 cost of sales due to increases in sugar costs and other major raw and packaging materials.

In the first quarter of 2011, sugar price per bag reached its peak, twenty-six percent (26%) higher than the average cost in 2010, as supply fell short from major suppliers in Brazil, India and Australia. To temper the impact of the sugar price increase on cost of goods sold, the Corporation implemented effective cost management and strategic pricing that maintained a healthy revenue mix.

As a result, the Corporation's gross profit for the calendar year 2011 decreased by six percent (6%) compared with the annualized gross profit due to the increase in sugar and fuel-driven input costs. Gross profit as a percentage of sales decreased from twenty-three percent (23%) in 2010 to twenty-one percent (21%) in 2011.

Operating expenses, which consists mainly of selling and distribution, general and administrative expenses, and marketing expenses, for the year remained stable as Management sustained its efforts to control costs. As a percentage of net sales, operating expenses in both 2010 and 2011 remained the same at nineteen percent (19%). Selling and distribution expenses were maintained at twelve percent (12%) of net sales, the same figure as that in 2010. Notably, general and administrative expenses decreased by ten percent (10%).

The Corporation posted a net income of P289 million, which is lower by thirty-eight percent (38%) than the annualized 2010 net income. The Corporation expects net income to improve on the back of the stabilization of sugar prices at lower levels, increased marketing efforts and industry growth turnaround.

Six (6)-month Period Ended 31 December 2010 versus Fiscal Year Ended 30 June 2010

With continued focus on driving affordability and availability across the country, the Corporation posted strong gross sales revenue of P9.6 billion for the six (6)-month period ended 31 December 2010. Annualized sales revenue grew by three percent (3%) in the midst of fierce competition. The Corporation continued to expand its offering of beverage products through new product innovations such as Lipton Sparkling and Tropicana Juice Plus, and packaging innovations such as Pepsi slim cans.

The sales revenue growth was tempered by unprecedented increase in sugar cost, which is one of the key raw materials used by the Corporation. In 2009, sugar price started to rise as rain damaged crops in Brazil, the largest producer, and dry weather curbed output in India, the second-largest supplier. As supply slowed and demand continued to rise, the inventory reserves of many countries, including the Philippines, became depleted resulting to higher sugar prices and significantly affecting sugar-dependent food and beverage industries. In the October to December 2010 quarter, sugar prices increased by twelve percent (12%) versus the January to March 2010 quarter and fifty-five percent (55%) versus the October to December 2009 quarter. The result was gross profit amounting to P1.8 billion, while gross profit margin was twenty-two percent (22%) for the six (6)-month period ended 31 December 2010, down from year ago gross profit margin of twenty-nine percent (29%). Generally, profit is geared towards the January to June period of each year representing the peak season. In 2010, it had shifted given the national elections in May 2010 and the hot weather, thereby impacting consumer spending for the six (6)-month period ended 31 December 2010.

The Corporation has continued to manage costs tightly, with minimal fluctuations versus year ago. Increase in selling and distribution, as well as marketing expenses, were in line with the increase in revenue. General and administrative expenses increased due to one-time restructuring cost relating to the change in shareholders. Overall, operating expenses as a percentage of net sales was maintained at twenty percent (20%) both for the six (6)-month period ended 31 December 2010 and the fiscal year ended 30 June 2010. Net income amounted to P130 million, while net income margin was at two

percent (2%) for the six (6)-month period ended 31 December 2010. The Corporation's continued efforts to drive top-line growth, while maintaining tight cost control will be the sustaining force in the years to come.

Financial Condition and Liquidity

The Corporation's operations are cash intensive. This capability to generate cash is one of its greatest strengths. With its liquidity, the Corporation has substantial financial flexibility in varying operating policy in response to market demands, in meeting capital expenditures through internally generated funds and in providing the Corporation with a strong financial condition that gives it ready access to financing alternatives (refer to Note 22 to the Audited Financial Statements for the calendar year ending 31 December 2012 for a detailed discussion on the Corporation's revolving credit facilities as of 31 December 2012).

Credit sales over the past three (3) years have remained at the level of sixty-four percent (64%) to sixty-eight percent (68%) of total sales. This credit sales level reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors, as well as an increase in the Modern Trade business. Liquidity has remained healthy. Collection period was at twenty-eight (28) to thirty (30) days, while, inventory days were at nine (9) to eleven (11) days for the past three (3) years. Trade payable days have remained at manageable levels.

Increase in current assets from ₱3.174 million as of 31 December 2011 to ₱3.538 million as of 31 December 2012 was due to increases in inventories of ₱156 million, amounts from cash and cash equivalents of ₱130 million, due from related parties of ₱54 million, prepaid expenses and other current assets of ₱21 million and receivables of ₱2 million, respectively.

Non-current assets increased from ₱7,085 million as of 31 December 2011 to ₱9,122 million as of 31 December 2012 mainly due to additions to property, plant and equipment (net of depreciation) of ₱1.061 billion and bottles and cases (net of amortization) of ₱958 million, in line with the Corporation's continued expansion of plant capacity and from non-current assets of ₱18 million.

Increase in current liabilities from ₱3.641 million as of 31 December 2011 to ₱4,837 million as of 31 December 2012 is mainly due to increase in Accounts Payable & Accrued Expenses of ₱996 million and Notes Payable of ₱200 million.

Non-current Liabilities increased from ₱675 million as of 31 December 2011 to ₱1.035 million as of 31 December 2012 due to increase in Other Non-current Liabilities of ₱144 million and Deferred Tax Liabilities of ₱217 million.

Total assets increased from ₱10.259 million as of 31 December 2011 to ₱12,660 million as of 31 December 2012 mainly due to the significant increase in non-current assets described above. Total liabilities increased from ₱4.315 million as of 31 December 2011 to ₱5,872 million as of 31 December 2012 mainly due to increase in current liabilities as stated above. Total equity increased from ₱5,944 million to ₱6.788 million on account of net income of ₱844 million for the calendar year ended 31 December 2012.

Key Performance Indicators

The Corporation's key performance indicators are shown below. The Corporation employs analyses using comparisons and measurements based on the financial data of the current period against the same period of the previous year.

		2012	2011
Current ratio	Current assets over current liabilities	0.7:1	0.9 : 1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.4:1	0.3 : 1
Bank debt-to-equity ratio	Bank debt over total equity	0.14:1	0.13 : 1
Asset-to-equity ratio	Total assets over equity	1.9:1	1.7 : 1
Operating margin	Operating income over net sales	6.0%	2.4%
Net profit margin	Net income over net sales	4.3%	1.7%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	31.5:1	16.7 : 1

The current ratio decreased mainly due to the increases in accounts payable and accrued expenses as well as in notes payable. The changes in solvency, debt-to-equity, and asset-to-equity ratios were mainly due to the increase in net income and increases in total assets and liabilities, including notes payable. The changes in operating margin, net profit margin, and interest rate coverage ratios were attributable to the increases in operating income and net income.

Material Commitments for Capital Expenditures

The Corporation has ongoing definite corporate expansion projects approved by the Board. As a result of this expansion program, the Corporation spent for property, plant and equipment as well as bottles and shells amounting to ₱3,148 million and ₱ 1.906 billion for the years ended 31 December 2012 and 31 December 2011, respectively, and ₱0.745 billion for the six (6)-month period ended 31 December 2010. To this date, the Corporation continues to invest in major capital expenditures in order to complete the remaining expansion projects lined up in line with prior calendar year spending.

Factors that may Impact the Corporation's Operations / Seasonality Aspects

Refer to Item 1 (2) (o) of the SEC Form 17-A attached to the Corporation's Audited Financial Statements for the calendar year ended 31 December 2012 for a discussion of Major Risks.

Significant Elements of Income or Loss that did not arise from Continuing Operations

There was no income or loss arising from discontinued operations.

VI. CORPORATE GOVERNANCE

The Corporation's Manual on Corporate Governance ("Manual"), which was adopted on 21 June 2007, and revised on 14 April 2010 and again on 25 March 2011, details the standards by which it conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders.

Compliance with the Manual's standards is monitored by the Corporation's Compliance Officer. Ultimate responsibility rests with the Board, which also maintains three (3) standing committees apart from the Executive Committee, each charged with oversight into specific areas of its business activities.

Executive Committee

The Executive Committee of the Board is responsible for developing and monitoring the Corporation's risk management policies. This Committee is mandated to review the detailed financial and operating performance of the Corporation and progress against the relevant Annual Operating Plan and Operating Targets, and to monitor the Corporation's progress against key initiatives, pricing

strategies and plans, sales and marketing plans, capital expenditure planning and key decisions on organizational structure and people.

Based on the Manual, the Executive Committee shall be composed of at least seven (7) members, namely, the Chief Executive Officer, the Chief Strategy Officer, the Chief Operating Officer, the Chief Financial Officer, and three (3) regular directors.

The incumbent members of the Executive Committee are as follows: Messrs. Yeon-Suk No (Chief Executive Officer), Partha Chakrabarti (President – equivalent of Chief Operating Officer), Imran Moid (Senior Vice President and Chief Financial Officer), and two (2) regular directors, namely, Messrs. Qasim Khan and JaeHyuk Lee.

There are two (2) vacancies in the Executive Committee. The Board has decided to defer filling the vacancies in the Executive Committee and to take this up at the Organizational Meeting of the newly-elected Board of Directors after the Annual Stockholders' Meeting.

The chairmanship of the Executive Committee shall be decided later by the unanimous vote of its Directors-members once it convenes in a meeting held for this purpose pursuant to the By-laws of the Corporation.

Audit Committee

The Audit Committee assists the Board in its fiduciary responsibilities as it provides an independent and objective assurance to the Management and shareholders of the Corporation that business operations are carried out according to approved standards and objectives, and the Corporation's resources are preserved and productive.

Based on the Manual, the Audit Committee shall be composed of at least four (4) directors, preferably with accounting and finance background with at least one (1) member with audit experience. Two (2) of the members must be independent directors, including the Chairman of the committee. The Audit Committee reports to the Board and is required to meet at least once every three (3) months.

The incumbent Chairman and members of the Audit Committee are as follows: Messrs. Rafael M. Alunan III (Chairman), Oscar S. Reyes, JaeHyuk Lee, and Vinod Rao.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee, based on objective and impartial studies, utilizes a formal and transparent framework in determining the remuneration of the members of the Board and the Corporation's key executives. This committee's decisions on compensation issues are consistent with the requirements of objectivity, fairness and relevance.

Based on the Manual, the Compensation and Remuneration Committee shall be composed of at least three (3) members, including one (1) independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising said committee. The Compensation and Remuneration Committee reports to the Board and is required to meet at least once each year.

The incumbent members of the Compensation and Remuneration Committee are as follows: Messrs. Rafael M. Alunan (III) (Chairman), Oscar S. Reyes, Yeon-Suk No, and Vinod Rao.

Nomination Committee

The Nomination Committee ensures that the Board is made up of visionary, ethical and competent business leaders who can contribute to the vast range of ideas and reach decisions that will protect and grow the business. This committee also makes sure that the designated Board members address the higher purposes of the Corporation as a responsible enterprise which has a positive value on the communities where it operates.

Based on the Manual, the Nomination Committee shall be composed of at least three (3) members, including one (1) independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising said committee. The Nomination Committee reports to the Board and is required to meet at least once each year.

The incumbent Chairman and members of the Nomination Committee are as follows: Messrs. Rafael M. Alunan III (Chairman), Yeon-Suk No, and Vinod Rao.

For purposes of evaluating compliance with the Manual, the Corporation has adopted the self-rating form prescribed by the SEC. The Corporation has complied with its Manual through the election of two (2) independent directors to the Board; the constitution of the Audit Committee, Compensation and Remuneration Committee, and Nomination Committee pursuant to its By-laws, and the election of the Chairman and members of such committees, which include the independent directors; the conduct of regular meetings of the Board and the various committees of the Board abovementioned; adherence to the written Code of Conduct prepared by the Corporation's Human Resources Department; and adherence to applicable accounting standards and disclosure requirements.

The Corporation adheres to a business plan, budget and marketing plan. Management prepares and submits to the Board, on a regular basis, financial and operational reports which enable the Board and Management to assess the effectiveness and efficiency of the Corporation.

While the Corporation has fulfilled its corporate governance obligations and there has been no deviation from the Manual as of date, it continues to evaluate and review its Manual to ensure that best practices on corporate governance are being adopted.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **OSCAR S. REYES**, Filipino, of legal age and a resident of Unit 6 Kasiyahan Homes, 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee identified as independent director of **PEPSI COLA PRODUCTS PHILIPPINES INC. (PCPPI)**.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Philippine Long Distance Tel. Co.	Director	2001-2010
	Member, Advisory Board	2010 - present
SMART Communications Inc.	Director	2006 - present
Bank of the Philippine Islands	Director	2003 – present
Manila Water Company	Independent Director	2005 - present
Ayala Land, Inc.	Independent Director	2009 - present
Manila Electric Company	President & CEO / Director	2010 - present
Sun Life Financial Plans Inc.	Independent Director	2006 - present
Sun Life Prosperity Funds	Independent Director	2002 – present
Sun Life Prosperity Dynamic Funds	Independent Director	2012 - present
Grepalife Dollar Bond Fund Corporation	Independent Director	2011 - present
Grepalife Fixed Income Fund Corporation	Independent Director	2011 - present
Grepalife Bond Fund Corporation	Independent Director	2011 - present
Basic Energy Corporation	Independent Director	2007 – present
Alcorn Gold Resources Corporation	Independent Director	2009 - present
Petrolift Inc.	Independent Director	2007 – present
Redondo Peninsula Energy Inc.	Chairman	2011- present
Meralco Industrial Engineering Services Inc.	Chairman	2010 - present
Meralco Energy Inc.	Chairman	2010 - present
CIS Bayad Center, Inc.	Chairman	2010 – present
Meralco Powergen Corporation	President/Director	2010 - present
Calamba Aero Power Corporation	Director	2011 - present
Republic Surety & Insurance Co., Inc.	Director	2010 - present
Link Edge Inc.	Chairman	2002 - present

3. I am not a securities broker-dealer, i.e., I do not hold any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.
4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PCPPI**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
6. I shall inform the corporate secretary of **PCPPI** of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 27 day of 2013, 2013, at Pasig City.


Affiant

SUBSCRIBED AND SWORN to before me, a notary public in and for the City of **MAKATI CITY**, this MAR 27 day of 2013, 2013. The affiant, whom I identified through the following competent evidence of identity: Philippine Passport No. XX2143931 expiring on 7 March 2015, personally signed the foregoing instrument before me and avowed under penalty of law to the whole truth of the contents of said instrument.

WITNESS MY HAND AND SEAL on the date and at the place first abovementioned.

NOTARY PUBLIC

Doc. No. 456
Page No. 72
Book No. TV
Series of 2013.

ATTY. GERVACIO B. ORTIZ Jr.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2013
PTR No. 366 4330 / 01-02-2013 / MAKATI
IBP No. 656155 - LIFE TIME MEMBER
APPT. M-84 / 2010 ROLL NO. 40091

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RAFAEL M. ALUNAN III**, filipino, of legal age, and with residence address at No. 63, 9th Street, New Manila, Quezon City, under oath, state:

1. I am an independent director of **Pepsi Cola Products Phils. Inc.** (hereinafter, the "Corporation").

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Management Assn. of the Phils	Governor - VP	2012-2013
Management Assn. of the Phils Foundation	Trustee/VP	2012-2013
Sun Life of Canada (Philippines) SLOCPI	Director	2004-present
Sun Life Asset Management Company, Inc.	Director	2009-present
Sun Life Financial Plans, Inc.	Director	2009-present
University of St. La Salle, Bacolod	Trustee	2009-present
Korean School Foundation Philippines, Inc.	Trustee	2008-present
Santeh Agriculture Science & Technology, Inc.	Trustee	2010-present
Rafael Alunan Agri-Development, Inc. (RAADI)	Director	1975-present

3. I possess all of the qualifications and none of the disqualification to serve as an Independent Director of the Corporation/s, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 27 day of March at Makati City.


RAFAEL M. ALUNAN III
Affiant

MAKATI CITY

SUBSCRIBED AND SWORN to before me this 27 day of March, affiant exhibiting to me his Passport No. EB2173485 issued on April 1, 2011 at Manila.

Doc No. 27
Page No. 27
Book No. IV
Series of 2013.

ATTY. GERVASIO B. ORTIZ Jr.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2013
PTR No. 366 4330/01-02-2013/MAKATI
IBP No. 656 155 - LIFE TIME MEMBER
APPT. M-84/2010 ROLL NO. 40091

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF
PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

Held at The Palms Country Club
Alabang, Muntinlupa City
on 25 May 2012, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2012/2013-001)

<u>Stockholders Present</u>	<u>In Person/By Proxy</u>	<u>No. of Shares</u>
Lotte Chilsung Beverage Co., Ltd.	Yeon-Suk No (By Proxy)	1,270,657,644
Quaker Global Investments B.V.	Partha Chakrabarti (By Proxy)	1,089,101,359
Pepsi-Cola Far East Trade Development Co., Inc.	Partha Chakrabarti (By Proxy)	100
Orion Land Inc.	Partha Chakrabarti (By Proxy)	40,000,000
Yeon-Suk No	In Person	1
Partha Chakrabarti	In Person	1
Jaehyuk Lee	Yeon-Suk No (By Proxy)	1
Choong Ik Lee	Yeon-Suk No (By Proxy)	1
Byoung Tak Hur	Yeon-Suk No (By Proxy)	1
Qasim Khan	Partha Chakrabarti (By Proxy)	1
John L. Sigalos	Partha Chakrabarti (By Proxy)	1
Oscar S. Reyes	In Person	1
Rafael M. Alunan III	In Person	1
Others		213,772,887

	Total shares present In Person/By Proxy	2,613,531,999
	Total shares issued, outstanding and entitled to vote	3,693,772,279
	Percentage of shares present In Person/By Proxy	70.76%

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF
PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

Held at The Palms Country Club
Alabang, Muntinlupa City
On 25 May 2012, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2012/2013-001)

1. CALL TO ORDER

The Chairman of the Board, Mr. Oscar S. Reyes, called the meeting to order and presided over it.

The Corporate Secretary, Atty. Ma. Rosario C.Z. Nava, recorded the minutes of the meeting.

2. CERTIFICATION OF NOTICE AND OF QUORUM

Atty. Nava certified that notices were sent to all the stockholders of the Corporation and that stockholders owning or holding 70.76% of the total outstanding capital stock entitled to vote were present, either in person or by proxy. Thus, there was a quorum for the valid transaction of business.

3. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL STOCKHOLDERS' MEETING HELD ON 27 MAY 2011

There was a motion made to approve the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 27 May 2011.

The motion was duly seconded, and there being no objection, the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 27 May 2011 was unanimously passed and approved.

Stockholders' Resolution No. 2012/2013-001

RESOLVED, that the minutes of the Annual Stockholders' Meeting of
PEPSI-COLA PRODUCTS PHILIPPINES, INC. held on 27 May 2011,
be, as it is hereby, approved.

4. REPORT OF THE CHAIRMAN

The Chairman, Mr. Reyes, reported the highlights of the results of operations of the Corporation for the year ended 31 December 2011 and the Corporation's future plans and initiatives as set forth in the Annual Report earlier distributed to the stockholders.

5. PRESENTATION OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Chairman presented for the information and acceptance of the stockholders the Corporation's audited financial statements for the year ended 31 December 2011, copies of which had been previously sent to the stockholders.

A motion was made to note and accept the audited financial statements for the year ended 31 December 2011, which was duly seconded, and there being no objection, the stockholders noted and accepted the audited financial statements of the Corporation for the year ended 31 December 2011.

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF
PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

Held at The Palms Country Club
Alabang, Muntinlupa City
On 25 May 2012, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2012/2013-001)

Stockholders' Resolution No. 2012/2013-002

RESOLVED, that the audited financial statements of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for the year ended 31 December 2011, be, as it is hereby, noted and accepted.

6. RATIFICATION OF ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT FOR THE PREVIOUS YEAR

The Chairman then discussed with the stockholders the need to approve and ratify all acts and resolutions of the Board of Directors and the Management of the Corporation for the previous year, as well as all contracts and transactions entered into by the Corporation for the same period.

There was a motion for its ratification which was duly seconded, and there being no objection, the stockholders unanimously approved the following resolution:

Stockholders' Resolution No. 2012/2013-003

RESOLVED, that all resolutions and other acts of the Board of Directors and the Management of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for the previous year, as well as all contracts and transactions entered into by the Corporation for the same period, be, as they are hereby, approved, confirmed and ratified.

7. ELECTION OF DIRECTORS

The Chairman then proceeded to take up the next item in the Agenda which is the election of the members of the Board of Directors to serve for the year 2012 to 2013.

The Chairman informed the body that the Corporation had earlier disclosed through the Information Statement the nine (9) nominees to the Board of Directors included in the Final List of Candidates approved by the Nomination Committee of the Corporation. In accordance with the Articles of Incorporation of the Corporation, the Corporation shall be electing nine (9) directors.

Since the number of nominees is equal to the number of Board seats, there was a motion made to have all votes cast in favor of all the nominees and to have all the nominees be declared elected as directors of the Corporation. This motion was duly seconded. There being no objection, the Chairman declared the following individuals as having been elected as directors for 2012 to 2013 and until their successors shall have been duly elected and qualified:

**YEON-SUK NO
PARTHA CHAKRABARTI
JAEHYUK LEE
CHOONG IK LEE
BYOUNG TAK HUR
QASIM KHAN**

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF
PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

Held at The Palms Country Club
Alabang, Muntinlupa City
On 25 May 2012, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2012/2013-001)

JOHN L. SIGALOS
RAFAEL M. ALUNAN III (Independent Director)
OSCAR S. REYES (Independent Director)

The Chairman congratulated the newly-elected directors of the Corporation.

8. APPOINTMENT OF EXTERNAL AUDITORS

The Chairman then discussed the need to designate and appoint the external auditors of the Corporation for the ensuing year 2012 to 2013.

A nomination was heard from the floor to appoint KPMG Manabat Sanagustin & Co., CPAs as the Corporation's external auditor for 2012 to 2013.

Thereafter, a motion was made which was duly seconded to close the nomination and appoint KPMG Manabat Sanagustin & Co., CPAs as the Corporation's external auditor for 2012 to 2013.

On such motion which was duly made and seconded, and there being no objection, the stockholders unanimously approved the appointment of KPMG Manabat Sanagustin & Co., CPAs as the external auditors of the Corporation for the ensuing year 2012 to 2013.

Stockholders' Resolution No. 2012/2013 - 004

RESOLVED, that KPMG Manabat Sanagustin & Co., CPAs be, as they are hereby, appointed as external auditors of the Corporation for the ensuing year 2012 to 2013.

9. ADJOURNMENT

The Chairman asked the stockholders if there were any other matters that they would like to take up at the meeting.

After some queries from the floor relating to the business and some future initiatives of the Corporation had been addressed, a comment was heard from the floor that all of the items in the Agenda had been taken up and sufficiently discussed. Hence, a motion was made to adjourn the meeting.

There being no further business to transact, on motion duly made and seconded, the meeting was adjourned.

CERTIFIED CORRECT:

MA. ROSARIO C.Z. NAVA
Corporate Secretary

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF
PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

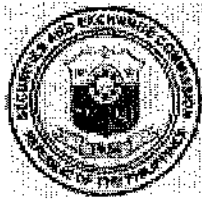
Held at The Palms Country Club
Alabang, Muntinlupa City
On 25 May 2012, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2012/2013-001)

ATTESTED:

OSCAR S. REYES
Chairman



103082013000422



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Company Name PEPSI-COLA PRODUCTS PHILS. INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 103082013000422
Document Type 17-A (FORM 11-A:AANU)
Document Code 17-A
Period Covered December 31, 2012
No. of Days Late 0
Department CFD
Remarks

COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

(Business Address: No. Street/City/Town/Province)

Agustin S. Sarmiento

Contact Person

865-6364

Company Telephone Number

1	2
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Month
Calendar Year

3	1
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Day

SEC Form 17-A

FORM TYPE

Last Friday of May

Month Date
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Article Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

LCU

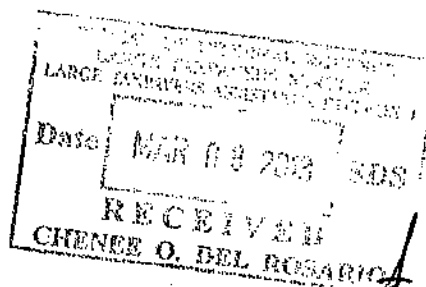
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Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **31 December 2012**
2. SEC Identification Number **0000160968**
3. BIR Tax Identification No. **000-168-541**
4. Exact name of issuer as specified in its charter: **PEPSI-COLA PRODUCTS PHILIPPINES, INC.**
5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: **Km. 29 National Road, Tunasan, Muntinlupa City** Postal Code: **1773**
8. Issuer's telephone number, including area code: **(632) 850-7901 to 20**
9. Former name, former address, and former fiscal year, if changed since last report: **not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding

Common Shares of Stock

3,693,772,279

11. Are any or all of these securities listed on a Stock Exchange?
Yes ☒ No ☐

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange - Common Shares of Stock

12. Check whether the issue:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes ☒ No ☐
- (b) The Registrant has been subject to such filing requirements for the past ninety (90) days.
Yes ☒ No ☐

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Aggregate market value of the voting stock held by non-affiliates of the registrant – ₱8,591 million as of February 26, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated in this report:

- (a) December 31, 2012 Audited Financial Statements attached as Exhibit I hereof;
- (b) Statement of Management Responsibility attached as Exhibit II hereof, and
- (c) Amendments to the Articles of Incorporation and By-Laws attached as Exhibit III hereof.

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

a. Form and Date of Organization

The Company was registered with the Philippine Securities and Exchange Commission on March 8, 1989, primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks and non-carbonated beverages, and confectionery products to retail, wholesale, restaurants and bar trades. The registered office address and principal place of business of the Company is Km. 29, National Road, Tunasan, Muntinlupa City.

b. Bankruptcy, Receivership or Similar Proceedings

The Company is not involved in any bankruptcy, receivership or similar proceedings.

c. Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

The Company has not made any material reclassifications nor entered into a merger, consolidation or purchase or sale of significant amount of assets not in the ordinary course of business in the past three years.

(2) Business of Issue

a. Principal products

The Company is a licensed bottler of PepsiCo, Inc. ("PepsiCo") and Pepsi Lipton International Limited ("Pepsi Lipton") in the Philippines. It manufactures a range of carbonated soft drinks (CSD) and non-carbonated beverages (NCB) that includes well-known brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, Mug, Gatorade, Tropicana/Twister, Lipton, Sting and Propel.

	Calendar Year ended	Calendar Year ended	For the six months ended
Net Sales	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Carbonated soft drinks	P12,517	P11,933	P5,937
Non-carbonated beverages	5,977	5,196	2,357
Total	P19,494	P17,129	P8,294

Segment result*			
Carbonated soft drinks	P 3,603	P 2,563	P 1,319
Non-carbonated beverages	1,593	1,116	524
Total	P5,196	P13,679	P1,843

* Segment result is the difference between net sales and segment expenses. Segment expenses are allocated based on the percentage of each reportable segment's net sales over the total net sales.

b. Foreign sales

Foreign sales represent 0.02% and 0.08% of total net sales for the calendar years ended December 31, 2012 and 2011, respectively, and 0.23% for the six months ended December 31, 2010.

c. Distribution methods of the products

The Company's sales volumes depend on the reach of its distribution network. It increases the reach of distribution system by adding routes and increasing penetration by adding outlets on existing routes that currently do not stock its products. It relies on a number of channels to reach retail outlets, including direct sales, distributors and wholesalers.

The backbone of the distribution system is what is referred to as "Entrepreneurial Distribution System," which consists of independent contractors who service one or more sales "routes," usually by truck, selling directly to retail outlets and collecting empty returnable bottles (RGBs).

It also employs its own sales force, which principally sells to what is referred to as the "modern trade" channel, consisting largely of supermarkets, restaurants and convenience store chains. Most of these sales are credit sales that are fulfilled by third party distributors. In addition, it sells products to third party wholesalers and distributors, which sell them to retail outlets.

An important aspect of the distribution system is the infrastructure-intensive process of selling and delivering RGB products to thousands of small retailers, including sari-sari stores and carinderias. The efforts to increase the reach of the Company's distribution network require significant investments in distribution infrastructure such as additional trucks, refrigeration equipment, warehouse space and a larger "float" of glass bottles and plastic shells, as well as higher costs for additional sales and distribution staff.

d. Publicly-announced new product

The Company has no publicly-announced new products that are in the planning or prototype stage.

e. Competition

The Company competes in the ready-to-drink, non-alcoholic beverage market across the Philippines. The market is highly competitive and competition varies by product category. The Company believes that the major competitive factors include advertising and marketing programs that create brand awareness, pack/price promotions, new product development, distribution and availability, packaging and customer goodwill. The Company faces competition generally from both local and multi-national companies across the Company's nationwide operations.

Competitors in the CSD market are The Coca-Cola Company and Asiadwide Refreshments Corporation, which represent about ¾ of the CSD market. The substantial investment in multiple plants, distribution infrastructure and systems and the float of RGBs and plastic shells required to operate a nationwide beverage business using RGBs represent a significant barrier to potential competitors in widening their reach.

The market for NCB (including energy drinks) is more fragmented. Major competitors in this market are Del Monte Pacific Limited, Universal Robina Corporation, Zesto Corporation, The Coca-Cola Company, and Asia Brewery Incorporated, among others, which represent approximately ¾ of the NCB market. In recent years, the market has been relatively fluid, with frequent product launches and shifting consumer preferences. These trends are expected to continue.

Industry-wide competition intensified with marketing campaigns, and trade and consumer promotions. The Company believes that it can effectively compete by maximizing its 360-degree marketing presence, maintaining its competitive price structures, and expanding the range and reach of the Company's portfolio. For the years to come, the Company will continue to expand its beverage offerings leveraging our wide manufacturing platform and extensive distribution reach to meet consumer demands.

Moreover, the Company invested aggressively, positioning the business for long-term growth while ensuring financial flexibility to battle current challenges. The Company expanded and upgraded manufacturing facilities in different plants to provide multiple product capabilities, maximize cost savings, improve product quality, and increase operating efficiencies.

f. Sources and availability of raw materials

Over half of total costs comprise purchases of raw materials. Largest purchases are sugar and beverage concentrates. The Company purchases sugar requirements domestically because of import restrictions imposed by the Philippine government. It purchases beverage concentrates from PepsiCo and Pepsi Lipton thru Pepsi Cola Far East Trade Development Co., Inc. (PCFET) at prices that are fixed as a percentage of the wholesale prices charged for the finished products, subject to a price floor in U.S. dollars.

Another substantial cost is packaging. The major components of this expense are purchases of PET pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans and closures. It also makes regular purchases of RGBs to maintain float at appropriate levels. Purchases of each of these materials are from suppliers based in the Philippines and in other parts of Asia, usually under short term, fixed price contracts.

g. Customers

The Company has a broad customer base nationwide. Its customers include supermarkets, convenience stores, bars, sari-sari stores and carinderias.

h. Transactions with and/or Dependence on Related Parties

Please refer to Item 13 of this report.

i. Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements

The Company does not own any intellectual property that is material to the business. Under the Exclusive Bottling Agreements, the Company is authorized to use brands and the associated trademarks owned by PepsiCo and, in the case of the Lipton brand and trademarks, Unilever N.V. Trademark licenses are registered with the Philippine Intellectual Property Office. Certificates of Registration filed after January 1998 are effective for a period of 10 years from the registration date unless sooner cancelled, while those filed before January 1998 are effective for 20 years from the registration date. The table below summarizes most of the current Certificates of Registration.

	Filing Date	Expiration
Pepsi Max	February 7, 1994	June 23, 2020
1996 Pepsi Logo in Color	August 26, 1997	April 16, 2021
PCPP! – Pepsi Cola Products Philippines, Inc. and Logo	August 26, 2008	September 17, 2019
Pepsi	October 18, 2004	February 19, 2017
Mirinda	January 23, 1986	May 10, 2019
Mountain Dew	June 5, 2000	January 18, 2014
Mountain Dew Logo	June 5, 2000	October 30, 2014
Diet 7Up Logo in Color	September 22, 2003	August 28, 2015
7Up	February 26, 2007	November 5, 2017
Gatorade	November 27, 1992	June 29, 2015
Gatorade and lightning bolt design	February 9, 2004	August 28, 2015
Propel	August 23, 2002	January 17, 2015
Tropicana Twister	December 6, 1990	August 18, 2013
Tropicana	December 14, 1982	January 14, 2020
Sting	March 10, 2006	June 18, 2017
Lipton	March 28, 2003	June 8, 2016
Lipton Splash design	December 18, 2003	May 28, 2017
Lipton Ice Tea Logo in Color	October 8, 2007	October 8, 2017
Premier*	December 18, 1992	March 24, 2014
Tropicana Coco Quench	January 12, 2012	July 18, 2022
Milkis	September 21, 2010	January 5, 2021
Let's Be	September 21, 2010	January 5, 2021

* trademark owned by the Company

The Company produces its products under licenses from PepsiCo and Pepsi Lipton and depends upon them to provide concentrates and access to new products. Thus, if the Exclusive Bottling Agreements are suspended, terminated or not renewed for any reason, it would have a material adverse effect on the business and financial results.

Refer to Note 14 to the December 31, 2012 Audited Financial Statements for details of transactions with PepsiCo and Pepsi Lipton.

j. Government approvals of principal products

As a producer of beverages for human consumption, the Company is subject to the regulation by the Food and Drugs Administration (FDA) of the Philippines, which is the policy formulation and monitoring arm of the Department of Health of the Philippines on matters pertaining to food and the formulation of rules, regulations, standards and minimum guidelines on the safety and quality of food and food products as well as the branding and labeling requirements for these products.

It is the Company's policy to register all locally-produced products for local market distribution. Each of the plants has a valid and current License to Operate as a Food Manufacturer of Non-Alcoholic Beverages from FDA. These licenses are renewed annually in accordance with applicable regulations. Any finding and gaps found during the regulatory audit and inspection are thoroughly discussed with FDA inspectors and compliance commitments are re-issued. There are no pending findings of gaps that are material or that may materially affect the operation of each plant or all the plants as a whole.

The Company is also registered as a Food Manufacturer/Importer/Exporter and as a Food Distributor/Exporter/Importer/Wholesaler. It has been recognized by FDA as a Good Manufacturing Practice Certified Plant.

k. Effect of existing or probable governmental regulations on the business

The Company's production facilities are subject to environmental regulation under a variety of national and local laws and regulations, which, in particular, control the emissions of air pollutants, water, and noise. It is regulated by two major government agencies, namely, the Department of Environment and Natural Resources (DENR) and the Laguna Lake Development Authority (LLDA).

The Company is compliant with environmental laws and regulations, such as the wastewater treatment plants as required by the Department of Environment and Natural Resources and Laguna Lake Development Authority.

While the foregoing agencies actively monitor the Company's compliance with environmental regulations as well as investigate complaints brought by the public, it is required to police its own compliance and prevent any incident that could expose the Company to fines, civil or even criminal sanctions, considerable capital and other costs and expense for refurbishing or upgrading environmental compliance system and resources, third party liability such as clean-ups, injury to communities and individuals, including, loss of life.

l. Research and development

The research and development costs amounted to ₱132,285 and ₱639,100 for the calendar years ended December 31, 2012 and 2011, respectively, and ₱477,353 for the six months ended December 31, 2010.

m. Costs and effects of compliance with environmental laws

Compliance with all applicable environmental laws and regulations, such as the Environmental Impact Statement System, the Pollution Control Law, the Laguna Lake Development Authority Act of 1966, the Clean Air Act, and the Solid Waste Management Act has not had, and in the Company's opinion, is not expected to have a material effect on the capital expenditures, earnings or competitive position. Annually, it invests about ₱30 million in wastewater treatment and air pollution abatement, respectively, in its facilities.

n. Employees

As of December 31, 2012, the Company employed approximately 2,768 people. In addition, it generally deploys around 2,017 casual employees working in the non-core operations of the business. Department of Labor and Employment (DOLE) accredited third party manpower and services supply the temporary manpower needs of the company. The number of casual employees varies seasonally, with generally higher numbers during peak months of March through June. As of December 31, 2012, the Company had 2,017 casual employees.

All of the regular and permanent production employees at the bottling plants and sales offices are represented by a union. The Company is a party to 13 collective bargaining agreements, with separate agreements for the sales and the non-sales forces in some business units. The collective bargaining agreements contain economic and non-economic provisions (such as salary increase and performance incentive, sale commission, laundry allowance, per diem, bereavement assistance, union leave, calamity loan, and assistance to employees' cooperative), which generally have a contract period of three years and remain binding on the successors-in-interest of the parties, while the representation aspect is valid for five years.

The Company believes that the relationship with both unionized and non-unionized employees is healthy. It has not experienced any work stoppages due to industrial disputes since 1999.

Significant emphasis is placed on training of personnel to increase their skill levels, ensure consistent application of procedures and to instill an appreciation of corporate values. It operates "Pepsi University," a full-time training facility consisting of four classrooms for this purpose. It has adopted a compensation policy which it believes to be competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and improved to retain current employees and attract new employees. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives.

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular and full time employees. The Company has a Retirement Committee that sets the policies for the plan and has appointed two Philippine banks as trustees to manage the retirement fund pursuant to the plan. Annual cost is determined using the projected unit credit method.

o. Major Risks

Sales and profitability are affected by the overall performance of the Philippine economy, the natural seasonality of sales, the competitive environment of the beverage market in the Philippines, as well as changes in cost structures, among other factors.

Sales volume are also affected by the weather, generally being higher in the hot, dry months from March through June and lower during the wetter monsoon months of July through October. In addition, the Philippines is exposed to risk of typhoons during the monsoon period. Typhoons usually result in substantially reduced sales in the affected area, and have, in the past, interrupted production at the plants in affected areas. While these factors lead to a natural seasonality in sales, unseasonable weather could also significantly affect sales and profitability compared to previous comparable periods. Sales during the Christmas/New Year holiday period in late December tend to be higher as well.

The CSD and NCB markets are both highly competitive. The actions of competitors as well as the Company's own continuous efforts on pricing, marketing, promotions, and new product development affect sales. Some of the smaller competitors have lower cost bases than the Corporation and price their products lower than the Company's prices. Thus, in addition to the cost of producing and

distributing our beverages, sales prices are greatly affected by the availability and price of competing brands in the market.

All of the Company's sales are denominated in Philippine pesos. However, some of the significant costs, such as purchases of packaging materials, are denominated in United States dollars. Some of the other costs, which are incurred in Philippine pesos, can also be affected by fluctuations in the exchange rate between the Philippine peso and United States dollars, Euro and Malaysian Ringgit. In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances. The Company considered the exposure to foreign currency risk to be insignificant.

The business requires a significant supply of raw materials and energy. The cost and supply of these materials could be adversely affected by changes in the world market prices on sugar, crude oil, aluminum, tin, PET resins, among others. Although direct purchases of fuel are relatively small as a proportion of total costs, the Company is exposed to fluctuations in the price of oil through the dependence on freight and delivery services. Changes in materials prices generally affect the competitors as well.

Margins differ between beverage products and package types and sizes. Excluding packaging, production costs are similar across the range of carbonated beverages, but vary with non-carbonated beverages. Packaging costs vary, with RGBs being less expensive than PET, aluminum cans or non-returnable glass. The incremental cost of producing larger-sized serves in the same package type is proportionately lower than the increased volume, creating opportunities to achieve higher margins where customers perceive value in terms of volume.

As a result of the factors discussed above, the margins the Company earns on the products can be substantially different, and the margins can change in both absolute and relative terms from period to period. While the Company attempts to adjust its product and package mix to maximize profitability, changes in consumer demand and the competitive landscape can have a significant impact on mix and therefore profitability.

The Company is also subject to credit risk, liquidity risk and various market risks, including risks from changes in commodity prices, interest rates and currency exchange rates (refer to Notes 4 and 22 of the December 31, 2012 Audited Financial Statements for discussion on Financial Risk Management).

The Company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. To the Company's knowledge, there are no material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

ITEM 2. PROPERTIES

As a foreign-owned company, the Company is not permitted to own land in the Philippines and has no intention to acquire real estate property. Hence, it leases the land on which the bottling plants, warehouses and sales offices are located.

The Company leases certain parcels of land where its bottling plants and warehouses are located from third parties and Nadeco Realty Corporation (NRC) for a period of one to 25 years and are renewable for another one to 25 years (refer to Note 26 to the December 31, 2012 Audited Financial Statements for further information on the leases). Lease payments pertaining to these leased properties amounted to ₱189 million and ₱195 million for the years ended December 31, 2012 and 2011, respectively, and ₱93 million for the six-month period from July 1 to December 31, 2010.

The Company owns all its bottling facilities, which are located in Muntinlupa City, Rosario, Pampanga, Naga, Cebu, Iloilo, Bacolod, Tanauan, Davao, Cagayan de Oro and Zamboanga, and are all in good condition. Other than the buildings and leasehold improvements, machinery and other equipment, and furniture and fixtures disclosed in Note 9 to the December 31, 2012 Audited Financial Statements, and the investments in shares of stocks disclosed in Note 7 to the December 31, 2012 Audited Financial Statements, the Company does not hold significant properties.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company becomes a party to litigation in the ordinary course of its business. The majority of the cases in which the Company is a party are cases it files to recover debts in relation to unpaid receivables by trade partners or in relation to cash or route shortages, private criminal prosecutions that it brings (generally for low value offenses such as theft of product or distribution equipment, fraud, and bouncing checks), labor cases for alleged illegal dismissal (which are usually accompanied by demands for reinstatement in the Company without loss of seniority rights, and payment of back wages), and consumer cases brought against the Company involving allegations of defective products.

As a result of a promotion in 1992, civil cases were filed against the Company in which thousands of individuals claimed to hold numbered bottle crowns that entitled them to a cash prize. The Philippine Supreme Court has consistently held in at least 7 final and executory decisions in the last 5 years that the Company is not liable to pay the amounts claimed. In the most recent of these decisions, the Supreme Court dismissed a similar claim, reiterating that it is bound by its pronouncement in a number of cases involving this promotion. By virtue of the precedential effect of the decided cases, the Company expects the remaining cases to be dismissed in due course.

The Company does not believe that the litigation in which the Company is currently involved or which is presently pending or threatened is material, either individually or in the aggregate. The Company has not been involved in any bankruptcy, receivership or other similar proceedings.

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

The matters voted upon at the Annual Stockholders' Meeting held on May 25, 2012 included the election of Directors. The following were elected as members of the Board of Directors for the ensuing year (2012-2013):

Yeon-Suk No
Partha Chakrabarti
Jaehyuk Lee
Byoung Tak Hur
Vinod Rao*
Qasim Khan
Choong Ik Lee
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

**replaced Mr. John L. Sigalos who resigned effective June 19, 2012*

All of the above were incumbent Directors at the time of their election except for Messrs. Byoung Tak Hur and Choong Ik Lee. The Company has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

PART II – OPERATIONAL AND FINANCIAL INFORMATION
ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The common shares were listed with the Philippine Stock Exchange ("PSE") on February 1, 2008. The high and low sales prices of such shares for 2012, 2011, 2010 and 2009 are set out below.

Period	High	Low
July to Sept 2009	P2.46	P1.32
Oct to December 2009	P2.50	P2.00
Jan to March 2010	P2.70	P2.02
April to June 2010	P3.05	P2.46
July to September 2010	P2.65	P2.61
October to December 2010	P2.95	P2.50
Jan to March 2011	P2.59	P2.06
April to June 2011	P2.56	P2.21
July to Sept 2011	P2.22	P1.96
October to December 2011	P2.50	P2.10
Jan to March 2012	P3.00	P2.06
April to June 2012	P2.89	P2.50
July to Sept 2012	P4.11	P2.72
October to December 2012	P6.61	P4.00

The closing share price as of February 26, 2013 is P6.44.

Stockholders

The Company has approximately 623 holders of common shares as of December 31, 2012 [with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two holders], based on the number of accounts registered with the Stock Transfer Agent.

The following are the top 20 holders of common shares based on the report furnished by the Stock Transfer Agent as of December 31, 2012.

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO.LTD.	1,270,657,644	34.40%
2	QUAKER GLOBAL INVESTMENTS B.V.	1,089,101,359	29.48%
3	PCD NOMINEE CORP. (NON-FILIPINO)	826,128,847	22.37%
4	PCD NOMINEE CORP. (FILIPINO)	501,324,492	13.57%
5	LARS DALBY	507,200	0.01%
6	BORROMEO, JOSEPH MARTIN H.	450,000	0.01%
7	YAN, LUCIO W.	300,000	0.01%
8	BLANCAVER, RENE B.	255,000	0.01%
9	MADARANG, WINEFREDA O.	250,000	0.01%
10	LUGTI, VALERIANO A.	220,000	0.01%
11	DABAO, LUIS G.	200,000	0.01%
12	YU, FELIX S.	149,998	0.00%
13	IGNACIO, JUANITO R.	100,000	0.00%
14	UMALI, JOSE I.	100,000	0.00%
15	PINEDA, MA. CORAZON V.	100,000	0.00%
16	NARCISO, MA CELESTE S.	100,000	0.00%
17	DINO, ROSAURO P.	70,000	0.00%
18	TONGCUA, ROBERTO E.	70,000	0.00%
19	DUGURAN, CECILIA R.	60,000	0.00%
20	GOCE, ROBERTO H.	60,000	0.00%

Cash Dividends

The Board of Directors (BOD) approved several declarations of cash dividends amounting to ₱369 million in the six-months ended December 31, 2010 and ₱554 million in fiscal year 2010. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
September 30, 2009	0.15	October 15, 2009	October 29, 2009
September 9, 2010	0.10	September 24, 2010	October 8, 2010

Dividend Policy

The Company has a dividend policy to declare dividends to stockholders of record, which are paid from the unrestricted retained earnings. Any future dividends it pays will be at the discretion of the BOD after taking into account the earnings, cash flow, financial position, capital and operating progress, and other factors as the BOD may consider relevant. Subject to the foregoing, the present policy is to pay cash dividends up to 50% of its preceding year's annual net income. This policy may be subject to future revision.

Cash dividends are subject to approval by the BOD without need for stockholders' approval. Stock dividends require the further approval of the stockholders representing no less than 2/3 of our outstanding capital stock.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There has been no recent sale of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

PART III – FINANCIAL INFORMATION

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS

Calendar Year Ended December 31, 2012 versus Calendar Year Ended December 31, 2011

The Company delivered strong top-line sales, an impressive feat given the aggressive competition, marketplace challenges and heavy monsoon rains. It continued its focus on driving the growth of both CSD and NCB by continuing the strategic plan to drive affordability and availability across the Philippines. Gross sales, fuelled by remarkable sales volume performance across brands and categories, reached ₱22.73 billion for the year, a considerable increase of 14% from 2011.

Cost of sales, which consists primarily of raw and packaging materials, direct labor and manufacturing overhead, increased by 6% from 2011, driven mainly by higher sales volume. However, as a percentage of net sales, cost of sales decreased by 6 percentage points (PP) from 2011 levels, mainly due to the price rollback of sugar, a major cost component.

As a result, the Company's gross profit reached ₱5.29 billion, an increase of 44% from 2011. Gross profit percentage to net sales increased by 6 PP compared to 2011 levels.

Strong growth helped to make strategic investments in Capex, Marketing and Sales staff resulting in the slight increase in Operating Expenses percentage to net sales by 2 PP. Operating expenses mainly

consists of selling and distribution, general and administrative, and marketing expenses, remained manageable.

The Company's net income significantly improved to P844 million, an increase of 192% compared to 2011.

Calendar Year Ended December 31, 2011 versus Annualized Six-month Period Ended December 31, 2010

In spite of the industry and macro challenges that came upon in 2011, gross sales revenue reached P19.96 billion, increased by 1% versus annualized 2010. This performance was mainly due to the aggressive expansion of the use of returnable packaging format for PCPPI's non-carbonated beverages across the country and the growth in the flavors line of the carbonated soft drinks business. This is in line with PCPPI's strategy of maintaining a firm position in the carbonated soft drinks market and increasing the revenue share of non-carbonated beverage in its portfolio.

Unfortunately, commodity pressure increased significantly, especially sugar, a major cost component, where its price sharply increased. In addition, the company is overlapping the effects of election-related spending that fuelled volume growth in 2010 together with a long, hot peak weather season.

Cost of sales consists primarily of raw and packaging materials costs, direct labor and manufacturing overhead costs. Cost of sales in 2011 increased by 3% as compared with the annualized 2010 cost of sales due to increases in sugar costs and other major raw and packaging materials.

In the first quarter of 2011, sugar price per bag reached its peak, 26% higher than average 2010, as supply fell short from major suppliers in Brazil, India and Australia. To temper the impact on cost of goods sold of sugar price increase, the Company has implemented an effective cost management and strategic pricing that maintained a healthy revenue mix.

As a result, the Company's gross profit for the calendar year 2011 decreased by 6% as compared with the annualized gross profit due to the increase in sugar and fuel-driven input costs. Gross profit as a percentage of sales decreased from 23% in 2010 to 21% in 2011.

Operating expenses, which consists mainly of selling and distribution, general and administrative expenses and marketing expenses, for the year remained stable as management sustained its efforts to control costs. As a percentage of net sales, operating expenses in both 2010 and 2011 remained the same at 19%. Selling and distribution expenses were maintained at 12% of net sales, the same figure as that of 2010. Notably, general and administration expenses decreased by 10%.

The Company posted a net income of P289 million, which is lower by 38% than in annualized 2010 net income. The Company expects net income to improve on the back of the stabilization of sugar prices at lower levels, increased marketing efforts and industry growth turnaround.

Six-month Period Ended December 31, 2010 versus Fiscal Year Ended June 30, 2010

With continued focus on driving affordability and availability across the country, the Company posted strong gross sales revenue of P9.6 billion for the six-months ended December 31, 2010. Annualized sales revenue grew by 3% in midst of fierce competition. The Company continued to expand its offering of beverages products through new product innovations such as Lipton Sparkling and Tropicana Juice Plus and packaging innovations such as Pepsi slim cans.

The sales revenue growth was tempered by unprecedented increase in sugar cost, which is one of key raw materials used by the Company. In 2009, sugar price started to rise as rain damaged crops in Brazil, the largest producer, and dry weather curbed output in India, the second-largest supplier. As supply slowed and demand continued to rise, the inventory reserves of many countries, including the Philippines,

became depleted resulting to higher sugar prices and significantly affecting sugar-dependent food and beverage industries. In October-December 2010 quarter, sugar prices increased by 12% versus January-March 2010 quarter and 55% versus October-December 2009. The result was gross profit amounting to ₱1.8 billion, while gross profit margin was 22% for the six months ended December 31, 2010, down from year ago gross profit margin of 29%. Generally, profit is geared towards the Jan-June period of each year, representing the peak season. In 2010, it had shifted given the national elections in May 2010 and the hot weather. Thereby, impacting consumer spending for the six months ended December 31, 2010.

The Company has continued to manage costs tightly, with minimal fluctuations versus year ago. Increase in selling and distribution as well as marketing expenses were in line with the increase in revenue. General and administrative expenses increased due to one-time restructuring cost relating to the change in shareholders. Overall, operating expenses as a percentage of net sales was maintained at 20% both for the six months ended December 31, 2010 and the fiscal year ended June 30, 2010. Net income amounted to ₱130 million, while net income margin was at 2% for the six months ended December 31, 2010. The Company's continued efforts to drive top-line growth, while maintaining tight cost control will be the sustaining force in the years to come.

FINANCIAL CONDITION AND LIQUIDITY

The Company's operations are cash intensive. This capability to generate cash is one of its greatest strengths. With its liquidity, the Company has substantial financial flexibility in varying operating policy in response to market demands, in meeting capital expenditures through internally generated funds and in providing the Company with a strong financial condition that gives it ready access to financing alternatives (refer to Note 22 to the December 31, 2012 Audited Financial Statements for a detailed discussion on the Company's revolving credit facilities as of December 31, 2012).

Credit sales over the past three years have remained at the level of 64% to 68% of total sales. This credit sales level reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors as well as increase in Modern Trade business. Liquidity has remained healthy. Collection period were at 28 to 30 days, while, inventory days were at 9 to 11 days for the past three years. Trade payable days have remained at manageable levels.

Increase in current assets from ₱3.174 million as of December 31, 2011 to ₱3.538 million as of December 31, 2012 were due to increases in inventories of ₱156 million, amounts from cash and cash equivalents of ₱130 million, due from related parties of ₱ 54 million, prepaid expenses and other current assets of ₱21 million and receivables of ₱2 million, respectively.

Noncurrent assets increased from ₱7,085 million as of December 31, 2011 to ₱9,122 million as of December 31, 2012 mainly due to additions to property, plant and equipment (net of depreciation) of ₱1.061 billion and bottles and cases (net of amortization) of ₱958 million, in line with the Company's continued expansion of plant capacity and from noncurrent assets of ₱18 million.

Increase in current liabilities from ₱3.641 million as of December 31, 2011 to ₱4,837 million as of December 31, 2012 is mainly due to increase in Accounts Payable & Accrued Expenses of ₱996 million and Notes Payable of ₱200 million.

Noncurrent Liabilities increased from ₱675 million as of December 31, 2011 to ₱1.035 million as of December 31, 2012 due to increase in Other Noncurrent Liabilities of ₱144 million and Deferred Tax Liabilities of ₱217 million.

Total assets increased from ₱10.259 million as of December 31, 2011 to ₱12,660 million as of December 31, 2012 mainly due to the significant increase in noncurrent assets described above. Total liabilities increased from ₱4.315 million as of December 31, 2011 to ₱5,872 million as of December 31, 2012 mainly due to increase in current liabilities as stated above. Total equity increased from

₱5,944 million to ₱ 6.788 million on account of net income of ₱844 million for the calendar year ended December 31, 2012.

KEY PERFORMANCE INDICATORS

The following are the Company's key performance indicators. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year.

		2012	2011
Current ratio	Current assets over current liabilities	0.7:1	0.9 : 1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.4:1	0.3 : 1
Bank debt-to-equity ratio	Bank debt over total equity	0.14:1	0.13 : 1
Asset-to-equity ratio	Total assets over equity	1.9:1	1.7 : 1
Operating margin	Operating income over net sales	6.0%	2.4%
Net profit margin	Net income over net sales	4.3%	1.7%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	31.5:1	16.7 : 1

Current ratio decreased mainly due to the increases in accounts payable and accrued expenses and notes payable. The changes in solvency, debt-to-equity and asset-to-equity ratios were mainly due to the increase in net income and increases in total assets and liabilities, including notes payable. The changes in operating margin, net profit margin and interest rate coverage ratios were attributable to the increases in operating income and net income.

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Company has ongoing definite corporate expansion projects approved by the BOD. As a result of this expansion program, the Company spent for property, plant and equipment as well as bottles and shells amounting to ₱3,148 and ₱1.906 for the years ended December 31, 2012 and 2011, respectively, and ₱0.745 billion for the six months ended December 31, 2010. To this date, the Company continues to invest in major capital expenditures in order to complete the remaining expansion projects lined up in line with prior calendar year spending.

FACTORS THAT MAY IMPACT COMPANY'S OPERATIONS / SEASONALITY ASPECTS

Refer to Item 1 (2) (o) on discussion of Major Risks.

SIGNIFICANT ELEMENTS OF INCOME OR LOSS THAT DID NOT ARISE FROM CONTINUING OPERATIONS

There was no income or losses arising from discontinued operations.

ITEM 7. FINANCIAL STATEMENTS

Please see Exhibit I hereof for the December 31, 2012 Audited Financial Statements.

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT

The Company has engaged the services of an independent Certified Public Accountant (CPA) to conduct an audit and provide objective assurance on the reasonableness of the financial statements and relevant disclosures. The independent CPA is solely responsible to the Board of Directors.

The appointment of the independent CPA is submitted to the Audit Committee, the Board of Directors and shareholders for approval. The representatives of the independent CPA are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. Upon request, the independent CPA can also be asked to attend meetings of the Audit Committee and the Board, to make presentations and reply to inquiries on matters relating to the Company's financial statements.

The Company has appointed Manabat Saragustin & Co. as its independent CPA for the audit of its financial statements for the calendar year ended December 31, 2012.

Aggregate fees billed by the Corporation's external auditor for professional services in relation to (i) the audit of the Corporation's annual financial statements and services in connection with (a) statutory and regulatory filings, and (ii) tax accounting, compliance, advice, planning and any other form of tax services are summarized as follows:

	Calendar Year ended December 31, 2012	Calendar Year ended December 31, 2011	Six Months period ended December 31, 2010
Statutory audit fees	P 3.95 Million	P 3.83 Million	P 3.08 Million
Tax advice fees	-	-	-
Total	P 3.95 Million	P 3.83 Million	P 3.08 Million

The Audit Committee of the Company reviews and approves the audit plan and scope of work for the above services and ensures that the rates are competitive as compared to the fees charged by other equally competent external auditors performing similar services.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change in the independent auditing firm or handling partner or disagreements with the independent CPA on matters relating to the application and interpretations of accounting principles or practices, tax laws and regulations, financial statement disclosures or audit scope and procedures during the three (3) most recent fiscal years.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Term of office

Directors elected during the annual meeting of the stockholders will hold office for one (1) year until their successors are duly elected and qualified, except in case of death, resignation, disqualification or removal from office. Directors who were elected to fill any vacancy hold office only for the unexpired term of their predecessors.

Directors

The following are the names, ages, citizenship and year position was assumed, of the incumbent directors, including independent directors, of the Company:

Name	Age	Citizenship	Year Position was Assumed
Yeon-Suk No	48	Korean	2010
Partha Chakrabarti	48	Indian	2010
Jaehyuk Lee	59	Korean	2011
Choonglk Lee*	48	Korean	2012
Byoung Tak Hur	50	Korean	2012
Qasim Khan	55	Pakistani	2008
Vinod Rao*	50	Indian	2012
Rafael M. Alunan III**	64	Filipino	2007
Oscar S. Reyes**	66	Filipino	2007

*Replaced Mr. John Sigalos who resigned effective June 19, 2012

** Independent Director

Executive Officers

The following are the names, ages, positions, citizenship and year position was assumed, of the incumbent executive officers of the Company:

Name	Age	Citizenship	Position	Year Position was Assumed
Yeon-Suk No	48	Korean	Chief Executive Officer	2012
Partha Chakrabarti	48	Indian	President	2010
Imran Moid*	44	Pakistani	Senior Vice-President and Chief Financial Officer	2012
Daniel D. Gregorio, Jr.	60	Filipino	Senior Vice-President, Manufacturing and Logistics	1998
Celerino T. Grecia III	56	Filipino	Senior Vice-President, Human Resources/EIR/Legal	2011
Juan Gabriel P. Sison	56	Filipino	Executive Vice-President, Sales	2011
Samuel M. Dalisay, Jr.	53	Filipino	Vice-President, Supply Chain	2011
Angelica M. Dalupan	41	Filipino	Vice-President, Corporate Affairs and Communications	2012
Ma. Rosario C.Z. Nava	44	Filipino	Corporate Secretary and Compliance Officer	2007

*Replaced Mr. Akash Shah who resigned effective June 28, 2012.

Background Information and Business Experience

Directors:

YEON-SUK NO

Mr. No is the incumbent Chief Executive Officer of the Company. Prior to his appointment as CEO, he was the Executive Vice-President and Chief Strategy Officer of the Company. Previously, he also held a number of positions in Lotte Chilsung Beverage Co., Ltd. including being the Head of the Overseas Business Department, Sales Branch, and Sales Strategy & Support Team. He was also Manager of Product Planning, Advertisement, Information and Strategy in said company. Mr. No holds a Bachelor of Business Administration degree from the Hanyang University.

PARTHA CHAKRABARTI

Mr. Chakrabarti has been employed by PepsiCo since 1994 and he remains a PepsiCo employee while holding his current position in the Company under a formal secondment agreement. He is currently the Company's President. Prior to this, he was the Company's Executive Vice-President/Chief Operating Officer for Finance, Treasury, HR/EIRC/Legal, Manufacturing and Logistics and before that, he was its Senior Vice-President/Chief Financial Officer. Mr. Chakrabarti began his career with PepsiCo India, where he held a number of positions before moving to Vietnam as Chief Financial Officer of PepsiCo's business there. Before joining PepsiCo, he worked for ICI India. He holds a Bachelor of Science degree in Commerce from the University of Calcutta and is an Associate of The Institute of Chartered Accountants in India.

JAEHYUK LEE

Mr. Lee is the current President/CEO of Lotte Chilsung Beverage Co., Ltd., Lotte Liquor Co., Ltd. and Lotte Asahi Liquor Co., Ltd. Prior positions held included being President of Lotte HQ, CEO of Lotteria Co., Ltd., and Senior Managing Director of Lotte Chilsung Beverage Co., Ltd.

CHOONG IK LEE

Mr. Lee has been with the Lotte Group for 23 years now. He is currently the Director of the International and New Business Division of the Lotte Group. Prior to this appointment, he was the Division's General Manager, was Deputy General Manager of Lotte Group's Corporate Strategy and Planning Division, and before that, Assistant Manager of the Marketing Division of Lotte Confectionery Co., Ltd. He holds a Bachelor of Science in Food Science and Technology from Seoul National University.

BYOUNG TAK HUR

Mr. Hur is currently the Director of Lotte Chilsung Beverage Co., Ltd.'s Overseas Business Department. His past work experience in Lotte Chilsung Beverage Co., Ltd. included being Team Leader of the Overseas Business team and having worked at the Export, Information and Strategy, Development, Quality Control and Product Control departments thereof. He was also previously connected with the Lotte Foundation.

QASIM KHAN

Mr. Khan has been connected with PepsiCo for the last 24 years and has occupied various executive and managerial roles in different regional offices of PepsiCo. He is currently General Manager and President of PepsiCo's North Asia and South Asia Business Unit. Prior to joining PepsiCo, he worked for Procter & Gamble. He holds an MBA and Marketing degrees (with honors) from Michigan State University.

VINOD RAO

Mr. Rao is currently the Chief Financial Officer and Vice-President for Asia Pacific Region of PepsiCo Hong Kong, LLC. His past work experience in PepsiCo included being Vice-President for New Business Development and Chief Financial Officer for China Beverages of PepsiCo China, and Chief Financial Officer for India Beverages and Planning Director of PepsiCo India. Prior to joining PepsiCo, he performed several roles in ICI India Limited. He holds a Bachelor of Science degree in Commerce from Chennai University, India and is a Chartered Accountant from the Institute of Chartered Accountants of India.

RAFAEL M. ALUNAN III

Mr. Alunan has had extensive experience in the private and public sectors. He sits on the Boards of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company and Grepalife Asset Management Corp., and on various board committees. Mr. Alunan is also on the Board of University of St. La Salle and sits on various board committees. He serves as Vice-President in the Board of Governors of the management Association of the Philippines and is a Director of Rafael Alunan Agro-Development Inc. He is a regular columnist of Business World. He obtained his double degree in Business Administration and History-Political Science from the De La Salle University, attended the Master's in Business Administration-Senior Executive Program of the Ateneo de Manila University, and obtained a Master's degree in Public Administration from Harvard University, John F. Kennedy School of Government. He holds the rank of Colonel in the Armed Forces of the Philippines, held the post of Commanding Officer of the 131st Infantry Standby Reserve and 9th Infantry Ready Reserve Divisions, and is a graduate of the Philippine Army's Command and General Staff College.

OSCAR S. REYES

Mr. Reyes is the incumbent Chairman of the Board of Directors of the Company. He was Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. for many years. He holds a Bachelor of Arts in Economics (*Cum laude*) from the Ateneo de Manila University and a Diploma in International Business from the Waterloo Lutheran University in Toronto, Canada, and completed the Program for Management Development at the Harvard Business School. He is currently the President and Chief Executive Officer and Director of the Manila Electric Company. He also serves as a director and a member of board committees in the boards of companies engaged in banking, insurance, telecommunications, water distribution, real estate, shipping and mining and as a Trustee of various foundations.

Executive Officers:**IMRAN MOID**

Mr. Moid is currently the Company's Senior Vice-President and Chief Financial Officer under a secondment agreement from PepsiCo of which he remains an employee. He has been with PepsiCo for 16 years and is a two-timer recipient of the PepsiCo Chairman's Award, which he won in 2000 and 2011. He has vast experience of handling single and multiple country portfolio, food and beverages portfolio, M & A, and roles in Controllershship, Treasury and Taxation. Prior to joining PepsiCo, he worked for KPMG & PWC for six years in audit and consultancy capacities. He holds a Bachelor of Commerce degree from Punjab University, Lahore and is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan.

DANIEL D. GREGORIO, JR.

Mr. Gregorio is currently the Company's Senior Vice-President for Manufacturing and Logistics. He has been with the Company for 15 years and during this period, he held various positions in the Company. He began his career as a systems analyst for Coca-Cola Bottling Philippines, Inc. and rose to the position of Chief Accountant. In 1987, he moved to Indonesia as Country General Manager for Coca-Cola Amatil, the owner of the local Coca-Cola bottler. He holds a Bachelor of Science degree in Industrial Engineering.

CELERINO T. GRECIA III

Mr. Grecia is currently the Company's Senior Vice-President for Human Resources, Employee Industrial Relations, and Legal. He has been with the Company for 29 years and during this period, he held various positions in the Company's Personnel/Human Resources and Sales departments. He holds a Bachelor of Science degree in Criminology (*Magna Cum Laude*) and a Bachelor of Laws (*Cum Laude*) both obtained from the University of Iloilo.

• **JUAN GABRIEL P. SISON**

Mr. Sison is currently the Company's Executive Vice-President for Sales. Prior to joining the Company, he was Vice-President for Sales directly reporting to the President/CEO of the Century Pacific Group. He has vast experience in sales having occupied various positions in the sales departments of Del Monte Philippines, Inc., S.C. Johnson & Son, Inc., Phil-Asia Food Industries, Corp., and Procter & Gamble Philippines. He holds a Bachelor of Science degree in Psychology from the University of the Philippines.

SAMUEL M. DALISAY, JR.

Mr. Dalisay is currently the Company's Vice President for Supply Chain Group, which includes Corporate Purchasing, National Logistics Services and Marketing Equipment Management. Prior to joining the Company, he worked as an expatriate in Vietnam and served as Purchasing Director of THP Group until early 2011. Before that, he had worked for Jollibee Foods Corporation for almost 14 years until 2010 starting as Purchasing Manager for Foods until his last position as Corporate Purchasing Director for International Operations, and Sime Darby Pilipinas, Inc. as Materials Management Division Manager for 11 years until 1996. He is a Certified Purchasing Manager from the Institute of Supply Management-USA and a Professional Agricultural Engineer. He holds a Master in Business Management degree from the Asian Institute of Management.

ANGELICA M. DALUPAN

Ms. Dalupan is currently the Company's Vice President for Corporate Affairs and Communications. Prior to joining the Company, she worked as Communications Director of Pfizer Inc. and the Communications Country Lead for the Philippines. She had also worked for sixteen (16) years in the Corporate Communications and Relations department of Unilever Philippines Inc. from 1994 until 2010 when she held the position of Corporate Relations Director directly reporting to the President. She holds a Bachelor of Science degree in Business Administration and a Master's degree in Business Administration both received from the University of the Philippines.

MA. ROSARIO C.Z. NAVA

Ms. Nava is currently the Company's Corporate Secretary and Compliance Officer. She is a practicing lawyer and a member of the Integrated Bar of the Philippines since 1995. She has been a director and the Corporate Secretary of Soletron Philippines Inc. since 2005 and has been the Corporate Secretary of CPAC Monier Philippines, Inc. since 2004 and is also currently a Director thereof. She was also a Director of Hewlett-Packard Philippines Corp. from 2001 to 2002, and re-elected in 2004 up to 2007, and was its Corporate Secretary from 2006 to 2007. She holds a Bachelor of Science degree in Management, Major in Legal Management (with honors) from the Ateneo de Manila University and a *Juris Doctor* degree from the Ateneo de Manila Law School.

Resignation of Directors

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Stockholders' Meeting due to any disagreement on any matter relating to the Company's operations, policies or practices.

Significant Employees and Family Relationships

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's business. The Company is not aware of any family relationship between or among the aforementioned Directors or Executive Officers up to the fourth civil degree.

Except for the payment of annual directors' fee and per diem allowances, the Company has not had any transaction during the last two (2) years in which any Director or Executive Officer had a direct or indirect interest.

Involvement in Certain Legal Proceedings

None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

ITEM 11. EXECUTIVE COMPENSATION

Compensation of Directors and Executive Officers

The aggregate compensation paid or accrued (in Philippine Peso) in the calendar years ended December 31, 2012 and 2011 and estimated to be paid for the ensuing calendar year December 31, 2013 to the following Executive Officers is set out in the table below:

Name	Year	Salary	Bonus	Others
Aggregate for CEO and four (4) most highly compensated below-named executive officers	CY 2011	44,780,422	1,042,500	-
	CY 2012	40,650,154	665,500	-
	Estimated 2013	44,365,226	2,802,000	-
All other directors and officers as a group unnamed	CY 2011	5,674,566	-	1,376,470*
	CY 2012	9,815,833	414,750	1,744,412*
	Estimated 2013	13,155,148	2,633,100	1,858,235*

* This relates to per diem allowances and annual directors fee paid to the directors.

The following are the five highest compensated directors and/or officers of the Company:

- Yeon-Suk No – Chief Executive Officer (effective from February 21, 2012) and Executive Vice-President & Chief Strategy Officer (until February 20, 2012) in 2012 and Hwang Chung – Chairman of the Board & Chief Executive Officer (resigned on February 21, 2012) in 2011
- Partha Chakrabarti – President (effective from October 20, 2010)
- Daniel D. Gregorio, Jr. – Senior Vice-President for Manufacturing & Logistics
- Imran Moid – Senior Vice-President & Chief Financial Officer (effective from June 28, 2012) and Akash Shah (prior to June 28, 2012)
- Juan Gabriel P. Sison – Executive Vice-President, Sales (effective from July 15, 2011) in 2012; Celerino T. Grecia III – Senior-Vice President, Human Resources/EIR/Legal (effective from April 1, 2011) in 2011 and Roberto H. Goce – Senior Vice President/Senior General Manager in 2010.

There are no special employment contracts between the Company and the above Executive Officers.

Non-executive Directors are entitled to a per diem allowance of US\$1,500 for each attendance in the Company's Board meetings (except for the Chairman of the Board who receives US\$2,000 for each such attendance) as well as for committee meetings, except for Audit Committee meetings where the per diem allowance is US\$2,000. In addition, each Director is entitled to receive an annual directors' fee in the amount of Five Hundred Thousand Pesos (P500,000.00). The seven (7) Directors representing the Lotte Chilsung Beverage Co., Ltd. and Quaker Global Investments B.V. have waived the per diem allowance as well as the annual directors' fee.

There are no outstanding warrants or options held by the above Executive Officers and all such officers and Directors as a group.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of January 31, 2013.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	Lotte Chilsung Beverage Co., Ltd. ¹ c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea Relationship - Stockholder	Same as indicated in column 2	Korean	1,270,657,644	34.40%
Common shares	Quaker Global Investments B.V. ² Zonnebaan 35, 35242 EB Utrecht The Netherlands Relationship - Stockholder	Same as indicated in column 2	Dutch	1,089,101,359	29.48%
Common shares	PCD Nominee Corporation (Non-Filipino) ³ 37th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Non-Filipino	826,128,847	22.37%
Common shares	PCD Nominee Corporation (Filipino) ⁴ 37th Floor, The EnterpriseCenter Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Filipino	501,523,492	13.58%

¹ Lotte Chilsung Beverage Co., Ltd. ("Lotte") is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea. Lotte, through its Board of Directors, has designated Mr. Yeon-Suk No to vote its shares of stock in the Corporation.

² Quaker Global Investments B.V. ("QGI") is a corporation duly organized and existing under and by virtue of the laws of the Netherlands with principal office at Zonnebaan 35, 35242 EB Utrecht, The Netherlands. QGI, through its Board of Directors, has designated Mr. Partha Chakrabarti to vote its shares of stock in the Corporation.

³ PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depository, Inc. (PCD), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. While PCD Nominee Corporation is the registered owner of the shares in the Corporation's books, the beneficial ownership of such shares pertains to PCD participants (brokers) and/or their non-Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books. Under PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, PCD will execute a pro-forma proxy in favor of the participants for the total number of shares in their respective principal securities account, as well as for the total number of shares in their client securities account. For shares held in the principal securities account, the participant is appointed as proxy with full voting rights and powers as registered owner of such shares. For shares held in the client securities account, the participant is appointed as proxy with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by them.

⁴ Same as footnote 1 above except that the beneficial ownership of shares registered in the name of PCD Nominee Corporation pertains to PCD participants (brokers) and/or their Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books.

Security Ownership of Management as of January 31, 2013.

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Oscar S. Reyes Chairman of the Board (Non-Executive) and Independent Director c/o Unit 2504 Corporate Center, 139 Valero Street, Salcedo Village, Makati City	1*	Filipino	Nil
Common shares	Yeon-Suk No Chief Executive Officer c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Korean	Nil
Common shares	Partha Chakrabarti President c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Indian	Nil
Common Shares	Jaehyuk Lee Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-Dong, Songpa-Gu, Seoul, Korea 138-727	1*	Korean	Nil
Common shares	Choong Ik Lee Non-Executive Director c/o 25th Floor, Lotte Bldg. 1, Sogong-Dong, Jung-Gu, Seoul (100-721), Korea	1*	Korean	Nil
Common shares	Byoung Tak Hur Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-Dong, Songpa-Gu, Seoul, Korea 138-727	1*	Korean	Nil
Common shares	Qasim Khan Non-Executive Director c/o 25th Floor Emporium Tower, 622 Sukhumvit Road, Klongton, Klongtoey, Bangkok, Thailand	1*	Pakistani	Nil
Common shares	Vinod Rao Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Rafael M. Alunan III Independent Director No.63 9 th Street, New Manila, Quezon City	1*	Filipino	Nil
Common Shares	Imran Moid Senior Vice-President and Chief Financial Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Pakistani	0%
Common shares	Daniel D. Gregorio, Jr. Senior Vice-President, Manufacturing and Logistics c/o Km. 29 National Road, Tunasan, Muntinlupa City	70,000 Direct ownership	Filipino	0.0019%
Common Shares	Celerino T. Grecia III Senior Vice-President, Human Resources/EIR/Legal c/o Km. 29 National Road, Tunasan, Muntinlupa City	50,000	Filipino	0.0014%
Common Shares	Juan Gabriel P. Sison Executive Vice-President, Sales c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Samuel M. Dalisay, Jr. Vice-President, Supply Chain c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Angelica M. Dalupan Vice-President, Corporate Affairs and Communications	0	Filipino	0%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary and Compliance Officer c/o 7th Floor The Pearlbank Centre 146 Valero Street, Salcedo Village, Makati City	10,000 Direct ownership	Filipino	0.0003%

* Each of the directors is the registered owner of at least one qualifying share.

The aggregate shareholdings of directors and key officers as of January 31, 2013 are 130,009 shares which is approximately 0.0035% of the Company's outstanding capital stock.

Changes in Control

The Company is not aware of any voting trust agreement or any other similar agreement which may result in a change in control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Refer to Note 13 to the December 31, 2012 Audited Financial Statements for details on related party transactions.

PART IV – CORPORATE GOVERNANCE

The Company's Manual on Corporate Governance ("Manual"), which was adopted on June 21, 2007, and revised on April 14, 2010 and again on March 25, 2011, details the standards by which it conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders.

Compliance with the Manual's standards is monitored by the Company's Compliance Officer. Ultimate responsibility rests with the Board of Directors, which also maintains three (3) standing committees apart from the Executive Committee, each charged with oversight into specific areas of the Company's business activities.

Executive Committee

The Executive Committee of the Board is responsible for developing and monitoring the Company's risk management policies. This Committee, which meets regularly, reviews the detailed financial and operating performance of the Company and progress against the relevant Annual Operating Plan and Operating Targets, monitors the Company's progress against key initiatives, pricing strategies and plans, sales and marketing plans, capital expenditure planning and key decisions on organization structure and people.

The Executive Committee shall be composed of at least seven (7) members, namely, the Chief Executive Officer, the Chief Strategy Officer, the Chief Operating Officer, the Chief Financial Officer, and three (3) regular directors.

The incumbent members of the Executive Committee are as follows: Messrs. Yeon-Suk No (Chief Executive Officer), Partha Chakrabarti (President – equivalent of Chief Operating Officer), Imran Moid (Chief Financial Officer), Qasim Khan, and Jaehyuk Lee.

There are two (2) vacancies in the Executive Committee. The Board of Directors of the Company has decided to defer filling the vacancies in the Executive Committee and to take this up at the Organizational Meeting of the newly-elected Board of Directors after the Annual Stockholders' Meeting.

The chairmanship of the Executive Committee shall be decided later by the unanimous vote of its Director-members once it convenes in a meeting held for this purpose pursuant to the By-laws of the Company.

Audit Committee

The Audit Committee assists the Board in its fiduciary responsibilities as it provides an independent and objective assurance to the Management and shareholders of the Company that business operations are carried out according to approved standards and objectives, and the Company's resources are preserved and productive.

The Audit Committee shall be composed of at least four (4) directors, preferably with accounting and finance background with at least one member with audit experience. Two (2) of the members must be independent directors, including the Chairman of the committee. The Audit Committee reports to the Board and is required to meet at least once every three (3) months.

The incumbent Chairman and members of the Audit Committee are as follows: Messrs. Rafael M. Alunan III (Chairman), Oscar S. Reyes, Jaehyuk Lee, and Vinod Rao.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee, based on objective and impartial studies, utilizes a formal and transparent framework in determining the remuneration of the members of the Board and the Company's key executives. This committee's decisions on compensation issues are consistent with the requirements of objectivity, fairness and relevance.

The Compensation and Remuneration Committee shall be composed of at least three (3) members, including one (1) independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising said committee. The Compensation and Remuneration Committee reports to the Board and is required to meet at least once each-year.

The incumbent members of the Compensation and Remuneration Committee are as follows: Messrs. Rafael M. Alunan III (Chairman), Oscar S. Reyes, Vinod Rao, and Yeon-Suk No.

Nomination Committee

The Nomination Committee ensures that the Company's Board of Directors is made up of visionary, ethical and competent business leaders who can contribute to the vast range of ideas and reach decisions that will protect and grow the business. This committee also makes sure that the designated Board members address the higher purposes of the Company as a responsible enterprise which has a positive value on the communities where it operates.

The Nomination Committee shall be composed of at least three (3) members, including one (1) independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising said committee. The Nomination Committee reports to the Board and is required to meet at least once each year.

The incumbent members of the Nomination Committee are as follows: Messrs. Rafael M. Alunan III (Chairman), Yeon-Suk No, and Vinod Rao.

For purposes of evaluating compliance with the Manual, the Company has adopted the self-rating form prescribed by the Securities and Exchange Commission ("SEC"). The Company has complied with its Manual through the election of two (2) independent directors to the Company's Board; the constitution of the Audit, Compensation and Remuneration, and Nomination Committees pursuant to its By-laws and the election of the Chairman and members of such committees, which include the independent directors; the conduct of regular meetings of the Board of Directors and the various committees of the Board above stated; adherence to the written Code of Conduct prepared by the Company's Human Resources Department; and adherence to applicable accounting standards and disclosure requirements.

The Company adheres to a business plan, budget and marketing plan. Management prepares and submits to the Executive Committee of the Board and to the Board, on a regular basis, financial and operational reports which enable the Board and Management to assess the effectiveness and efficiency of the Company.

While the Company has fulfilled its corporate governance obligations and there has been no deviation from the Manual as of date, it continues to evaluate and review its Manual to ensure that best practices on corporate governance are being adopted.

PART V – EXHIBITS AND SCHEDULES

The following are the reports on SEC Form 17-C, as amended, which were filed during the last six (6) month period covered by this Report:

a. SEC Form 17-C dated 1 August 2012

Mr. Oscar S. Reyes tendered his resignation as Chairman of the Audit Committee of the Corporation effective immediately.

b. SEC Form 17-C dated 3 August 2012

At the Special Meeting of the Board of Directors of the Corporation held on 3 August 2012, the Board of Directors confirmed the appointment of Mr. Vinod Rao as member of the Audit Committee, Nomination Committee and Compensation and Remuneration Committee of the Corporation effective immediately.

c. SEC Form 17-C dated 18 September 2012

At the Meeting of the Audit Committee of the Corporation held on 18 September 2012, Mr. Rafael M. Alunan III was elected as Chairman of the Audit Committee effective immediately.

d. SEC Form 17-C dated 21 September 2012

At the Regular Meeting of the Board of Directors of the Corporation held on 21 September 2012, the Board of Directors confirmed the appointment of Ms. Angelical M. Dalupan as Vice-President for Corporate Affairs and Communications effective immediately.

e. SEC Form 17-C dated 21 September 2012

In compliance with the reporting obligation of listed companies in Paragraph 6 of SEC Memorandum Circular No. 4, Series of 2012 ("Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange"), the Corporation disclosed the following:

- i. the Corporation has an Audit Committee Charter but the same will be updated soon to comply with the requirements of the recently-issued SEC Memorandum Circular No. 4 Series of 2012; and
- ii. the prescribed self-assessment shall be conducted by the Audit Committee after updating its Charter and as soon as the Board of Directors of the Corporation has determined the frequency/period during which such self-assessment shall be undertaken by the Audit Committee.

f. SEC Form 17-C dated 7 December 2012

At the Meeting of the Compensation and Remuneration Committee of the Corporation held on 7 December 2012, Mr. Rafael M. Alunan was elected as Chairman of the Compensation and Remuneration Committee effective immediately.

PART VI – SIGNATORIES

The following are the authorized signatories of the Company:

1. Yeon-Suk No in his capacity as the Chief Executive Officer. Said position is the Company's equivalent position for principal executive officer.
2. Partha Chakrabarti in his capacity as the President. Said position is the Company's equivalent position for principal operating officer.
3. Imran Moid in his capacity as the Senior Vice President and Chief Financial Officer. Said position is the Company's equivalent position for principal financial officer.
4. Agustin S. Sarmiento in his capacity as AVP-Controller of the Company. Said position is the Company's equivalent position for comptroller and principal accounting officer.
5. Ma. Rosario C. Z. Nava in her capacity as the Corporate Secretary of the Company.

PART V – SIGNATORIES

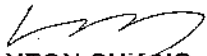
The following are the authorized signatories of the Company:

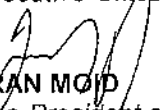
1. Yeon-Suk No in his capacity as the Chief Executive Officer. Said position is the Company's equivalent position for principal executive officer.
2. Partha Chakrabarti in his capacity as the President. Said position is the Company's equivalent position for principal operating officer.
3. Imran Moid in his capacity as the Senior Vice President and Chief Financial Officer. Said position is the Company's equivalent position for principal financial officer.
4. Agustin S. Sarmiento in his capacity as AVP-Controller of the Company. Said position is the Company's equivalent position for comptroller and principal accounting officer.
5. Ma. Rosario C. Z. Nava in her capacity as the Corporate Secretary of the Company.

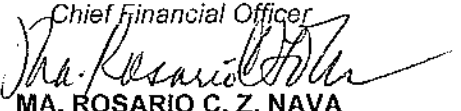
SIGNATURES

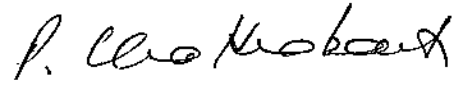
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Muntinlupa City on MAR 07 2013.

By:

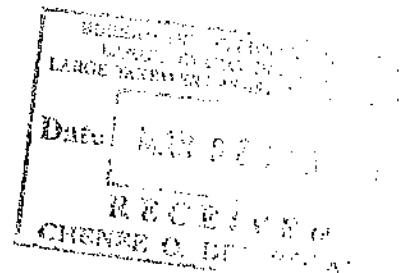

YEON-SUK NO
Chief Executive Officer


IMRAN MOID
Senior Vice-President and
Chief Financial Officer


MA. ROSARIO C. Z. NAVA
Corporate Secretary


PARTHA CHAKRABARTI
President


AGUSTIN S. SARMIENTO
AVP-Controller



REPUBLIC OF THE PHILIPPINES)
MUNTINLUPA CITY) S.S.

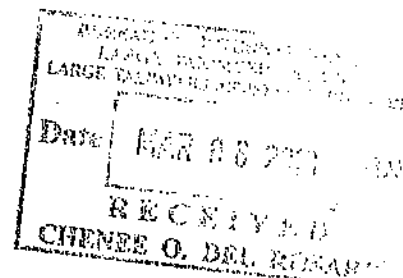
SUBSCRIBED AND SWORN TO before me in the City of Muntinlupa this 7th day of March, 2013 by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Valid Until</u>
Yeon-Suk No	Passport No.M83102845	Nov 13, 2018/ Korea
Partha Chakrabarti	Passport No. Z1751780	Feb. 25, 2018/ Manila
Imran Moid	Passport No. AB0974964	Dec. 22, 2015/ Pakistan
Agustin S, Sarmiento	SSS No. 33-2456012-6	
Ma. Rosario C. Z. Nava	SSS No. 33-0460082-8	

who have satisfactorily proven their identity to me through the above identification, that they are the same person who personally signed the foregoing instrument before me and acknowledged that they executed the same.

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Page No. 75
Book No. IV
Series of 2013.


ATTY. FEDERICO CLAUDIO G. SANDOVAL
Notary Public
Commission No. NC 12-009; Muntinlupa City
Until December 31, 2013
Attorney's Roll No. 45274
ISP LRN 07119/01-09-2009/Rizal
PTR No 1214770 / 01-03-2013/ Muntinlupa C/M
Km. 29 National Road, Tunasan, Muntinlupa City



COVER SHEET

1 6 0 9 6 8

S.E.C. Registration Number

PEPSI-COLA PRODUCTS
PHILIPPINES, INC.

(Company's Full Name)

Km. 29, National Road
Tunasan, Muntinlupa City

(Business Address : No. Street Company / Town / Province)

Agustin S. Sarmiento

Contact Person

807-9905

Company Telephone Number

1 2

Month

3 1

Day

A A F S

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

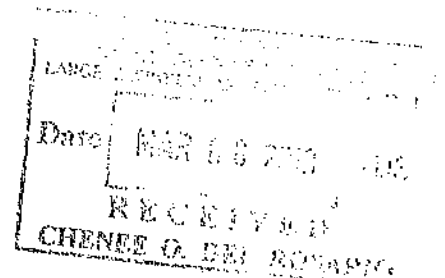
File Number

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Cashier

STAMPS



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PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FINANCIAL STATEMENTS
December 31, 2012, 2011 and 2010



Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Bacolod · Cebu · Iloilo · Subic

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road
Tunasan, Muntinlupa City

Report on the Financial Statements

We have audited the accompanying financial statements of Pepsi-Cola Products Philippines, Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2012 and 2011, and for the six-month period from July 1 to December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

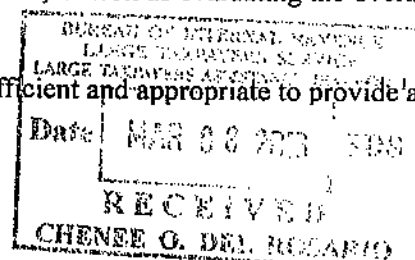
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



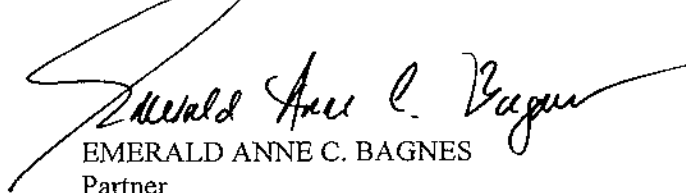
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pepsi-Cola Products Philippines, Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and 2011, and for the six-month period from July 1 to December 31, 2010, in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No.19-2011 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs



EMERALD ANNE C. BAGNES
Partner

CPA License No. 0083761

SEC Accreditation No. 0312-AR-2, Group A, valid until March 28, 2015

Tax Identification No. 102-082-332

BIR Accreditation No. 08-001987-12-2010

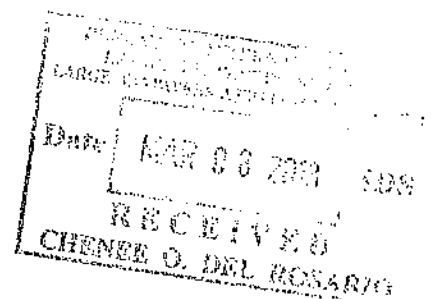
Issued June 30, 2010; valid until June 29, 2013

PTR No. 3669501MC

Issued January 2, 2013 at Makati City

March 7, 2013

Makati City, Metro Manila





PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Km. 29 National Road, Tunasan, Muntinlupa City 1773 Philippines
Tel. No.: (632) 850-7901 • Fax No.: (632) 850-7928
Website: www.pepsiphilippines.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Pepsi-Cola Products Philippines, Inc.** is responsible for the preparation and fair presentation of the financial statements as at December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011 and for the six-month period from July 1 to December 31, 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submit the same to the stockholders or members.

Manabat Sanagustin & Co., CPAs, the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

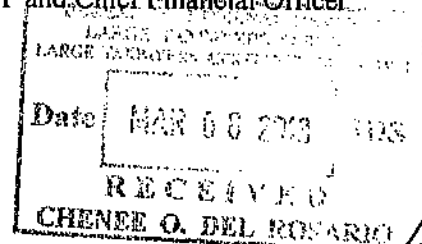
OSCAR S. REYES
Chairman of the Board

YEON-SUK NO
Chief Executive Officer

PARTHA CHAKRABARTI
President

IMRAN MOHD
SVP and Chief Financial Officer

Signed this 7th day of March 2013



REPUBLIC OF THE PHILIPPINES)
MUNTINLUPA CITY) S.S.

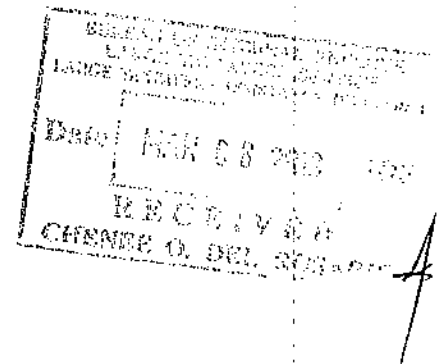
SUBSCRIBED AND SWORN TO before me in the City of Muntinlupa this 7th day of March, 2013 by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Valid Until</u>
Oscar S. Reyes	Passport No. XX2143931	Sep. 28, 2013/ Manila
Yeon-Suk No	Passport No. M83102845	Nov 13, 2018/ Korea
Partha Chakrabarti	Passport No. Z1751780	Feb. 25, 2018/ Manila
Imran Moid	Passport No. AB0974964	Dec. 22, 2015/ Pakistan

who have satisfactorily proven their identity to me through the above identification, that they are the same person who personally signed the foregoing instrument before me and acknowledged that they executed the same.

Doc No. 370
Page No. 75
Book No. N
Series of 2013.

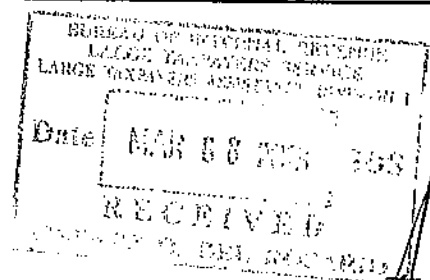

ATTY. FEDERICO CLAUDIO G. SANDOVAL
Notary Public
Commission No. NC 12-009; Muntinlupa City
Until December 31, 2013
Attorney's Roll No. 45274
IBP LRN 07119/01-08-2008/Rizal
PTR No. 1214770 / 01-03-2013/ Muntinlupa City
Km. 29 National Road, Tunasan, Muntinlupa City



PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	<i>Note</i>	2012	2011
ASSETS			
Current Assets			
Cash and cash equivalents	4, 22	P489,183	P359,668
Receivables - net	5, 14, 22	1,339,240	1,336,839
Inventories	6	1,153,529	997,224
Due from related parties	13, 22	421,278	366,844
Prepaid expenses and other current assets		134,666	113,629
Total Current Assets		3,537,901	3,174,204
Noncurrent Assets			
Investments in associates	7	527,412	527,316
Bottles and cases - net	8	3,510,492	2,552,890
Property, plant and equipment - net	9	4,918,518	3,857,126
Other noncurrent assets		165,333	147,569
Total Noncurrent Assets		9,121,755	7,084,901
		P12,659,656	P10,259,105
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	10, 22, 23, 26	P3,887,024	P2,890,692
Notes payable	11, 22	950,000	750,000
Total Current Liabilities		4,837,024	3,640,692
Noncurrent Liabilities			
Deferred tax liabilities - net	12	635,923	419,234
Other noncurrent liabilities	23, 26	398,866	255,341
Total Noncurrent Liabilities		1,034,789	674,575
Total Liabilities		5,871,813	4,315,267
Equity			
Capital stock	24	554,066	554,066
Additional paid-in capital	24	1,197,369	1,197,369
Retained earnings	25	5,036,408	4,192,403
Total Equity		6,787,843	5,943,838
		P12,659,656	P10,259,105

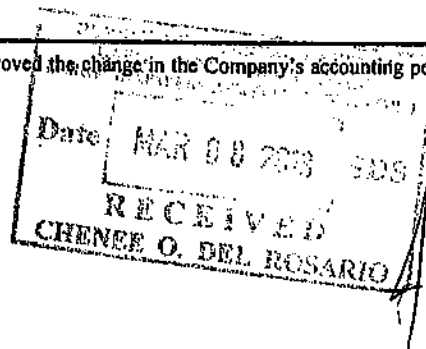
See Notes to the Financial Statements.



PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Data)

		Years Ended December 31		For the Six-Month Period from July 1 to December 31,
	Note	2012	2011	2010*
GROSS SALES	21	P22,732,856	P19,960,600	P9,595,014
LESS SALES RETURNS AND DISCOUNTS	21	3,238,658	2,832,082	-- 1,301,030
NET SALES		19,494,198	17,128,518	8,293,984
COST OF GOODS SOLD	15	14,205,706	13,449,473	6,450,573
GROSS PROFIT		5,288,492	3,679,045	1,843,411
OPERATING EXPENSES				
Selling and distribution	16	2,496,611	2,105,864	1,058,662
General and administrative	17	869,975	678,900	391,845
Marketing	14	747,316	486,632	228,517
		4,113,902	3,271,396	1,679,024
INCOME FROM OPERATIONS		1,174,590	407,649	164,387
FINANCE AND OTHER INCOME (EXPENSES)				
Interest income	4, 13	7,936	7,332	6,173
Equity in net earnings (losses) of associates	7	96	(3,469)	797
Interest expense	11, 26	(39,240)	(26,001)	(1,544)
Other income - net		62,293	28,895	15,103
		31,085	6,757	20,529
INCOME BEFORE INCOME TAX		1,205,675	414,406	184,916
INCOME TAX EXPENSE	12	361,670	125,359	55,230
NET INCOME/TOTAL COMPREHENSIVE INCOME		P844,005	P289,047	P129,686
Basic/Diluted Earnings Per Share	20	P0.23	P0.08	P0.04

*On December 22, 2010, the Securities and Exchange Commission approved the change in the Company's accounting period from fiscal year ending June 30 to calendar year ending December 31.
See Notes to the Financial Statements.

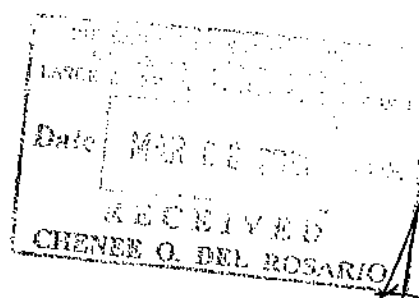


PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

		Years Ended December 31		For the Six-Month Period from July 1 to December 31, 2010*
	Note	2012	2011	
CAPITAL STOCK	24	P554,066	P554,066	P554,066
ADDITIONAL PAID-IN CAPITAL	24	1,197,369	1,197,369	1,197,369
RETAINED EARNINGS				
Balance at beginning of period		4,192,403	3,903,356	4,143,047
Net income for the period		844,005	289,047	129,686
Dividends declared	25	-	-	(369,377)
Balance at end of period		5,036,408	4,192,403	3,903,356
		P6,787,843	P5,943,838	P5,654,791

*On December 22, 2010, the Securities and Exchange Commission approved the change in the Company's accounting period from fiscal year ending June 30 to calendar year ending December 31.

See Notes to the Financial Statements.

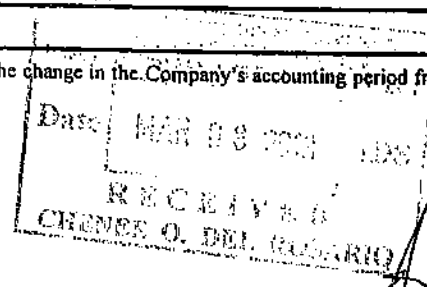


PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31		For the Six-Month Period from July 1 to December 31,
	Note	2012	2011	2010*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P1,205,675	P414,406	P184,916
Adjustments for:				
Depreciation and amortization	18	1,265,833	1,170,213	611,623
Retirement cost	23	75,719	50,850	28,614
Interest expense	11, 26	39,240	26,001	1,544
Allowance for probable losses in values of bottles and cases, machinery and equipment, impairment losses, inventory obsolescence and others provisions - net	5, 6, 8	2,793	61,223	34,209
Loss on disposal of property and equipment		1,239	4,158	2,260
Interest income	4, 13	(7,936)	(7,332)	(6,173)
Equity in net losses (earnings) of associates	7	(96)	3,469	(797)
Operating income before working capital changes		2,582,467	1,722,988	856,196
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables		1,259	(304,949)	(12,854)
Inventories		(160,050)	(79)	(184,382)
Due from related parties		(54,434)	(9,838)	(197,119)
Prepaid expenses and other current assets		(39,533)	(80,928)	(23,823)
Increase in accounts payable and accrued expenses		913,130	232,829	243,335
Cash generated from operations		3,242,839	1,560,023	681,353
Interest received		7,113	7,394	6,602
Income taxes paid		(126,485)	(44,124)	(127,210)
Contribution to plan assets	23	-	(50,000)	-
Net cash provided by operating activities		3,123,467	1,473,293	560,745
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment		5,862	5,930	7,885
Additions to:				
Property, plant and equipment	9	(1,634,048)	(984,097)	(447,336)
Bottles and cases	8	(1,514,200)	(921,630)	(297,924)
Decrease (increase) in other noncurrent assets		(17,764)	(48,393)	9,624
Net cash used in investing activities		(3,160,150)	(1,948,190)	(727,751)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable		1,650,000	1,700,000	200,000
Repayments of bank loans		(1,450,000)	(1,150,000)	-
Interest paid		(33,797)	(21,121)	(1,544)
Cash dividends paid	25	-	-	(369,377)
Net cash provided by (used in) financing activities		166,203	528,879	(170,921)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		129,520	53,982	(337,927)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		359,668	305,686	643,613
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	P489,188	P359,668	P305,686

*On December 22, 2010, the Securities and Exchange Commission approved the change in the Company's accounting period from fiscal year ending June 30 to calendar year ending December 31.

See Notes to the Financial Statements.



PEPSI-COLA PRODUCTS PHILIPPINES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data and
When Otherwise Indicated)

1. Reporting Entity

Pepsi-Cola Products Philippines, Inc. (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on March 8, 1989, primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks (CSD), non-carbonated beverages (NCB) and confectionery products to retail, wholesale, restaurants and bar trades. The registered office address and principal place of business of the Company is at Km. 29, National Road, Tunasan, Muntinlupa City.

The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since February 1, 2008. Lotte Chilsung Beverage Co., Ltd. with a 34.4% stake in the Company, is the largest shareholder of the Company. Quaker Global Investments B.V. is the other major shareholder with a 29.48% stake. Lotte Chilsung Beverage Co. Ltd. was organized and existing under the laws of South Korea. Quaker Global Investments B.V. was organized and existing under the laws of the Netherlands.

On December 22, 2010, the SEC approved the change in the Company's accounting period from fiscal year ending June 30 to calendar year ending December 31.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The accompanying financial statements were approved and authorized for issue by the Company's Board of Directors (BOD) on March 7, 2013. The BOD has the power to amend the financial statements after issuance.

The accompanying comparative financial statements as at and for the six-month period from July 1 to December 31, 2010 were prepared in connection with the change in the Company's accounting period from year ending June 30 to calendar year ending December 31. Accordingly, the amounts presented in the statements of comprehensive income, statements of changes in equity, statements of cash flows and related notes for the six-month period from July 1 to December 31, 2010 are not entirely comparable to the amounts presented in the financial statements as at and for the years ended December 31, 2012 and 2011.

Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for the defined liability which is recognized as the present value of defined benefit obligation, less fair value of plan assets and unrecognized net actuarial losses.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded to the nearest thousands, except per share data and when otherwise indicated.

Use of Judgments and Estimates

The preparation of the financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. The judgments and estimates used in the accompanying financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the financial statements:

Determining whether an Arrangement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

Operating Lease

▪ *The Company as a Lessee*

The Company has entered into various lease agreements covering land and facilities. The Company has determined that all significant risks and rewards of ownership of these properties remain with the lessors.

▪ *The Company as a Lessor*

The Company has entered into a lease agreement as lessor. The Company has determined that it retains all significant risks and rewards of ownership of the properties which are leased out under operating lease agreements.

Finance Lease - The Company as a Lessee

The Company entered into finance lease agreements covering pallets and power generation facilities for a period of five (5) to ten (10) years. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it has substantially acquired all the significant risks and rewards incidental to ownership of these pallets and power generation facilities and the provisions of the lease agreements effectively transfer ownership of the assets to the lessee at the end of the lease term.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty as of reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Estimating Allowance for Impairment Losses on Receivables

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase recorded operating expenses and decrease current assets.

Reversal of impairment losses on receivables amounted to P2.8 million for the year ended December 31, 2012. Impairment losses on receivables amounted to P40.4 million for the year ended December 31, 2011 and P20.7 million for the six-month period from July 1 to December 31, 2010. As at December 31, 2012 and 2011, allowance for impairment losses on receivables amounted to P162.6 million and P168.4 million, respectively. Receivables, net of allowance for impairment losses, amounted to P1.339 billion and P1.337 billion as at December 31, 2012 and 2011, respectively (see Note 5). No allowance for impairment losses was recognized on the amounts due from related parties as at December 31, 2012 and 2011 as these were deemed to be fully collectible (see Note 13).

Estimating Net Realizable Value of Inventories

In determining the net realizable value of inventories, the Company considers inventory obsolescence based on specific identification and as determined by management for inventories estimated to be unsaleable in the future. The Company adjusts the cost of inventories to the realizable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Company reviews, on a continuous basis, the product movement, changes in consumer demands and introduction of new products to identify inventories which are to be written-down to net realizable values. Write-down of inventories to net realizable value amounted to P3.7 million and P12.2 million for the years ended December 31, 2012 and 2011, respectively. Reversal of write-down of inventories to net realizable value amounted to P0.5 million for the six-month period from July 1 to December 31, 2010. The net realizable value of inventories amounted to P1.154 billion and P0.997 billion as at December 31, 2012 and 2011, respectively (see Note 6).

Estimating Useful Lives of the Excess of Cost of Containers over Deposit Values

The excess of the acquisition costs of the returnable bottles and cases over their deposit values is deferred and amortized over their estimated useful lives (EUL), principally determined by their historical breakage and trippage. A reduction in the EUL of excess of cost over deposit value would increase the recorded amortization and decrease noncurrent assets, and vice versa. As at December 31, 2012 and 2011, accumulated amortization of excess of cost over deposit values of returnable bottles and cases amounted to P5.420 billion and P4.719 billion, respectively. The carrying amount of bottles and cases amounted to P3.510 billion and P2.553 billion as at December 31, 2012 and 2011, respectively (see Note 8).

Estimating Allowance for Unusable Containers

An allowance for unusable containers is maintained based on specific identification and as determined by management to cover bottles and cases that are no longer considered fit for use in the business, obsolete or in excess of the Company's needs. Reversal of allowance for unusable containers amounted to P0.8 million for the year ended December 31, 2012. Provision for unusable containers amounted to P5.6 million and P2.1 million for the year ended December 31, 2011 and for the six-month period from July 1, to December 31, 2010, respectively. Write-offs of unusable containers against allowance amounted to P0.1 million and P1.5 million for the years ended December 31, 2012 and 2011, respectively. As at December 31, 2012 and 2011, allowance for unusable containers amounted to P14.7 million and P15.6 million, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment

The Company reviews annually the EUL of property, plant and equipment based on the period over which the assets are expected to be available for use and updates those expectations if actual results differ from previous estimates due to physical wear and tear and technical or commercial obsolescence. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property, plant and equipment would increase the recorded depreciation and amortization expenses and decrease noncurrent assets, and vice versa.

The EUL of property plant and equipment are as follows:

	Number of Years
Buildings	40
Leasehold improvements	15 or term of the lease, whichever is shorter
Machinery and other equipment	3 - 25
Furniture and fixtures	10

As at December 31, 2012 and 2011, the carrying amount of property, plant and equipment amounted to P4.919 billion and P3.857 billion, respectively (see Note 9).

Estimating Allowance for Impairment Losses on Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an item of bottles and cases, property, plant and equipment, investments in associates and other noncurrent assets may be impaired. Determining the amount of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have material impact on the financial position and financial performance of the Company.

The preparation of the estimated future cash flows involves estimations and assumptions. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the recoverable amounts and may lead to future additional impairment charges. As at December 31, 2012 and 2011, none of these impairment indicators exist on the Company's bottles and cases, property, plant and equipment, investments in associates and other noncurrent assets. As at December 31, 2012 and 2011, the carrying amount of bottles and cases amounted to P3.510 billion and P2.553 billion, respectively (see Note 8). As at December 31, 2012 and 2011, the carrying amount of property, plant and equipment amounted to P4.919 billion and P3.857 billion, respectively (see Note 9).

Investments in associates amounted to P527.4 million and P527.3 million as at December 31, 2012 and 2011, respectively (see Note 7).

Estimating Realizability of Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. The Company's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. As at December 31, 2012 and 2011, the Company has net deferred tax liabilities amounting to P635.9 million and P419.2 million, respectively (see Note 12). The Company has no unrecognized deferred tax assets as at December 31, 2012 and 2011.

Estimating Retirement Liability

The determination of the retirement liability and retirement cost is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates. Actual results that differ from the Company's assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. As at December 31, 2012 and 2011, the Company has unrecognized net actuarial losses amounting to P217.5 and P175.2 million in 2012 and 2011, respectively (see Note 23).

Contingencies

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Company's defense relating to these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 26).

3. Significant Accounting Policies

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements:

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years, except for the relevant amendments to standard and Philippine Interpretation, which have been adopted as at January 1, 2012 and have been applied in preparing these financial statements:

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

The effective date of the amendments is for periods beginning on or after July 1, 2011. The adoption of the amendments to PFRS 7 did not have any significant impact on the Company's financial statements.

- Philippine Interpretations Committee Question and Answer No. 2011-03, *Accounting for Inter-company Loans*, provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/stand-alone financial statements of the lender and the borrower: (i) on the initial recognition of the loan; and (ii) during the periods to repayment. The adoption of this interpretation did not have any significant impact on the Company's financial statements.

Recognition of Financial Instruments

Date of Recognition. Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on a trade date basis.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value. Except for financial instruments designated as at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for sale (AFS) financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or FVPL financial assets. Such assets are recognized initially at fair value. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, receivables and due from related parties are included in this category.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Company's notes payable and accounts payable and accrued expenses that meet the above definition (other than liabilities covered by other PFRSs, such as income tax payable, deferred tax liabilities and accrued retirement cost).

Derecognition of Financial Instruments. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transfer of the financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

Determination of Fair Values. A number of the Group's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which an asset could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments. Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the statements of financial position.

Capital Stock and Additional Paid-in Capital

Capital stock is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effect.

When shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of inventories, which is determined using the standard cost method adjusted to actual cost, includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing these inventories to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

The NRV of finished goods is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. The NRV of raw and packaging materials, spare parts and supplies is the estimated current replacement costs.

When inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of goods sold' in the statements of comprehensive income in the period when the related revenue is recognized.

Investments in Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies and which are neither subsidiaries nor joint ventures. The financial statements include the Company's share of the total recognized earnings and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. The application of the equity method of accounting is based on the Company's beneficial interest in the net profits and net assets of the associates. Distributions received from the associates reduce the carrying amount of the investments. Income and expense resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates. When the Company's share of losses exceeds the cost of the investment in an associate, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued, except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company's investments in associates include an amount that represents the excess of acquisition cost of investment over the fair value of the net identifiable assets of the investee companies at the date of acquisition, net of impairment in value, if any.

The financial statements of the associates are prepared for the same period as the Company's financial statements.

Bottles and Cases

Bottles and cases include returnable glass bottles and cases stated at deposit values and the excess of the acquisition costs of returnable bottles and cases over their deposit values. It also includes certain pallets acquired under finance lease. These assets are deferred and amortized using the straight-line method over their EUL (5 years for returnable bottles and 7 years for cases and pallets) determined principally by their actual historical breakage and trippage. Amortization of bottles and cases commences once it is available for use. An allowance is provided for excess, unusable and obsolete returnable bottles and cases based on the specific identification method.

Property, Plant and Equipment

Property, plant and equipment are carried at cost (which comprises its purchase price and any directly attributable costs in bringing the asset to working condition and location for its intended use) less accumulated depreciation, amortization and impairment losses, if any.

Subsequent costs (including costs of replacing a part of an item of property, plant and equipment) that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss as incurred.

Construction in progress represents assets under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use but tested for impairment losses. Assets under construction are transferred to the related property, plant and equipment account when the construction and installation and related activities necessary to prepare the property, plant and equipment for the intended use are completed, and the property, plant and equipment are ready for services.

Depreciation commences once the assets become available for use. Depreciation is computed on a straight-line basis over the EUL of the assets. Leasehold improvements are amortized over the shorter of their EUL and the corresponding lease terms.

The assets' residual values, EUL and depreciation and amortization methods are reviewed at each reporting date and adjusted, if appropriate, to ensure that the period and depreciation and amortization methods are consistent with the expected pattern of economic benefits from those assets. Any change in the expected residual values, EUL and methods of depreciation and amortization are adjusted prospectively from the time the change was determined necessary.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the item) arising from the retirement or disposal is recognized in profit or loss.

Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of the discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, is written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. Impairment loss is recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed directly or by adjusting an allowance account. Any subsequent reversal is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Non-financial Assets

The carrying amounts of the Company's non-financial assets such as investments in associates, bottles and cases, property, plant and equipment and other noncurrent assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash-generating units (CGU) to which the asset belongs is written-down to its recoverable amount. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be delivered from an asset or CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognized in profit or loss in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property, plant and equipment and bottles and cases) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue is recognized when persuasive evidence exist that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sale is recognized. Transfer of risks and rewards of ownership coincides with the delivery of the products to the customers, and under normal credit terms.

Rent Income

Rent income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease.

Other Income

Other income is recognized in profit or loss when earned.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the expenses are incurred.

Cost of Goods Sold

Cost of goods sold includes direct material costs, labor and manufacturing expenses. This is recognized when the service is rendered or the expense is incurred.

Selling, Distribution and Marketing Expenses

Selling, distribution and marketing expenses consist of costs associated with the development and execution of marketing promotion activities and all expenses connected with selling, servicing and distributing Company products. Selling, distribution and marketing expenses are generally recognized when the service is rendered or the expense is incurred.

General and Administrative Expenses

Expenses incurred in the general administration of the day-to-day operation of the Company are generally recognized when the service is rendered or the expense is incurred.

Finance Income and Finance Costs

Finance income comprises interest income on bank deposits and short term investments and dividend income. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings. All finance costs are recognized in profit or loss as they accrue.

Leases

Determination of whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Finance Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of fair value of the leased property and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance cost and reduction of the outstanding lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost is charged directly to operations.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all the activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the EUL of the related property, plant and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Provisions

A provision is a liability of uncertain timing or amount. It is recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense under "Finance and Other Income (Expenses)" in the statements of comprehensive income.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or in other comprehensive income.

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate over income tax (MCIT) over the regular corporate income tax (RCIT). Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward tax benefits of unused NOLCO and unused tax credits from excess MCIT can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Company's statements of financial position.

Retirement Plan

The Company has funded, noncontributory, defined benefit retirement plan covering substantially all of its employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement cost includes current service cost, interest cost, expected return on plan assets, actuarial gains and losses and the effect of any curtailments and settlements. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of the cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions of the plan (the asset ceiling test).

The past service cost, if any, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits immediately vest following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

Foreign Currency Transactions

The functional and presentation currency of the Company is the Philippine peso. Transactions in foreign currencies are recorded in Philippine peso based on the prevailing exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated in Philippine peso using the exchange rates prevailing at the reporting date. Exchange gains or losses arising from translation of foreign currency denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income by the weighted average number of common shares outstanding during the period, with retroactive adjustments for any stock dividends declared.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year, adjusted for the effects of any dilutive potential common shares.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Company. Dividends for the year that are approved after the reporting date are dealt with as a nonadjusting event after the reporting date.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

New or Revised Standards and Amendments to Standards Not Yet Adopted

A number of new or revised standards and amendments standards are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these financial statements. Except as otherwise indicated, the Company does not expect the adoption of these new or revised and amended standards to have any significant impact on the financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

The Company will adopt the following new or revised standards and amendments to standards that are relevant to the Company in the respective effective dates:

To be Adopted on January 1, 2013

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

- offset in the statement of financial position; or
- subject to enforceable master netting arrangements or similar agreements.

They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. These amendments will be effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods and are to be applied retrospectively.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 introduces a single control model to determine whether an investee should be consolidated. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is re-assessed as facts and circumstances change. PFRS 10, supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation SIC-12, *Consolidation - Special Purpose Entities*. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.
- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.
- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*

The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 13, *Fair Value Measurement*. PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- PAS 19, *Employee Benefits* (Amended 2011). The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. This amendment is effective for annual periods beginning on or after January 1, 2013 and is applied retrospectively with early adoption permitted.

The Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company has obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

Statements of Financial Position	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
Accrued retirement cost	P217,481	P175,171
Deferred tax liability	(61,630)	(50,892)
Remeasurement of the net defined benefit obligation (other comprehensive income)	(152,237)	(122,620)
Retained earnings	8,431	3,871
		For the Year Ended December 31, 2012
Statement of Comprehensive Income		
Profit or loss:		
Increase (decrease) in:		
Retirement cost		(P6,515)
Income tax expense		1,955
Net income after tax		(4,560)
Other comprehensive income:		
Effect of remeasurement of the net defined benefit obligation during the year - net of tax		34,178

- PAS 28, *Investments in Associates and Joint Ventures* (2011). PAS 28 (2011) supersedes PAS 28 (2008), *Investments in Associates*. PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards, contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following is the applicable improvement or amendment to PFRSs, which does not have significant effect on the financial statements of the Company:
 - PAS 34, *Interim Financial Reporting* - Segment Assets and Liabilities. This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when:
 - the amount is regularly provided to the chief operating decision maker; and
 - there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

To be Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:
 - An entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.
 - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.

These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments (2010)*, PFRS 9, *Financial Instruments (2009)*
 PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.
 PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

The Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 financial reporting. Based on the management's review, the new standard will potentially have an impact on the classification of its financial assets, but will have no significant impact on the measurement of its outstanding financial assets and financial liabilities.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2012	2011
Cash on hand and in banks	P389,188	P299,668
Short-term investments	100,000	60,000
	P489,188	P359,668

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from short-term investments amounted to P4.1 million and P3.5 million in 2012 and 2011, respectively.

The Company's exposure to interest rate risk is disclosed in Note 22 to the financial statements.

5. Receivables

Receivables consist of:

	Note	2012	2011
Trade	22	P1,346,373	P1,301,161
Others	14, 22	155,443	204,071
		1,501,816	1,505,232
Less allowance for impairment losses		162,576	168,393
	22	P1,339,240	P1,336,839

Trade receivables are noninterest-bearing and are generally on a 15 to 60 days' term. Other receivables consist mainly of receivables from employees, freight and insurance claims.

The movements in the allowance for impairment losses on receivables are as follows:

	Note	2012			2011		
		Trade	Others	Total	Trade	Others	Total
Balance at beginning of period		P116,703	P51,690	P168,393	P108,577	P19,412	P127,989
Impairment losses (reversal of impairment losses) recognized during the period	16	4,923	(7,760)	(2,837)	9,852	30,534	40,386
Reversal of write-offs (write-offs) during the period		(5,544)	2,564	(2,980)	(1,726)	1,744	18
Balance at end of period		P116,082	P46,494	P162,576	P116,703	P51,690	P168,393

Impairment losses (reversal of impairment losses) recognized during the period are included as part of "Selling and distribution expenses" account under "Operating Expenses" in the statements of comprehensive income. Reversal of previously written-off accounts is presented as part of "Other income" account in the statements of comprehensive income.

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 22 to the financial statements.

6. Inventories

Inventories consist of:

	2012	2011
At cost:		
Work in process	P7,632	P9,071
At net realizable value:		
Finished goods	503,289	452,884
Raw and packaging materials	499,242	408,326
Spare parts and supplies	143,366	126,943
	P1,153,529	P997,224

The cost of finished goods, raw and packaging materials and spare parts and supplies as at December 31, 2012 and 2011 is as follows:

	2012	2011
Finished goods	P516,953	P462,259
Raw and packaging materials	510,695	421,447
Spare parts and supplies	148,592	134,952
	P1,176,240	P1,018,658

Write-down of inventories to net realizable value amounted to P3.7 million and P12.2 million for the years ended December 31, 2012 and 2011, respectively. Reversal of write-down of inventories to net realizable value amounted to P0.5 million for the six-month period from July 1 to December 31, 2010, respectively. The reversal of write-down and write-down of inventories to net realizable value are included as part of "Cost of Goods Sold" account in the statements of comprehensive income.

7. Investments in Associates

Investments in associates consist of investment in other companies, which are incorporated under Philippine Laws, are as follows:

	Percentage (%) of Ownership		Amount	
	2012	2011	2012	2011
Acquisition cost:				
Nadeco Realty Corporation (NRC)	40%	40%	P232,508	P232,508
Nadeco Holdings Corporation (NHC)	40%	40%	132	132
			232,640	232,640
Effect of dilution of ownership in NRC			(1,018)	(1,018)
			231,622	231,622
Accumulated equity in net earnings:				
Balance at beginning of period			295,694	299,163
Equity in net earnings (losses) for the period			96	(3,469)
Balance at end of period			295,790	295,694
			P527,412	P527,316

The financial statements of the associates are prepared for the same reporting period as the Company's financial statements. The financial statements used for the purpose of applying equity method are the most recent management accounts of the associates as at December 31, 2012 and 2011.

None of the Company's equity-accounted associates are publicly listed entities and consequently do not have published price quotations.

As at December 31, 2012 and 2011, the undistributed earnings of the associates included in the Company's retained earnings amounting to P296 million, is not available for distribution to stockholders unless declared by the associates.

Summarized below is the financial information pertaining to the Company's associates:

	As at December 31, 2012 and For the Year Ended December 31, 2012				
	Assets	Liabilities	Equity	Revenues	Net Income
NRC	P1,165,491	P644,661	P520,830	P10,569	P586
NHC (consolidated)	1,164,7610	642,286	522,474	10,569	1,081

	As at December 31, 2011 and For the Year Ended December 31, 2011				
	Assets	Liabilities	Equity	Revenues	Net Loss
NRC	P1,102,312	P582,069	P520,243	P10,759	(P1,872)
NHC (consolidated)	1,101,701	580,143	521,558	10,759	(1,362)

The associates do not have contingent liabilities incurred jointly with other investors. Also, the Company is not severally liable for all or part of the liabilities of the associates.

8. Bottles and Cases

Bottles and cases consist of:

	2012	2011
Deposit values of returnable bottles and cases on hand - net of allowance for unusable containers of P14,661 and P15,601 as at December 31, 2012 and 2011, respectively	P455,666	P323,036
Excess of cost over deposit values of returnable bottles and cases - net of accumulated amortization*	2,989,433	2,214,663
	3,445,099	2,537,699
Bottles and cases in transit	65,393	15,191
	P3,510,492	P2,552,890

*This includes pallets under finance lease with net book value of P207.2 million and P93.5 million as at December 31, 2012 and 2011, respectively.

The Company provided an allowance for unusable containers at circulation that failed to meet the Company's quality standards and excess bottles as determined by management based on the containers profile and optimal float analyses conducted.

The movements in the allowance for unusable containers are as follows:

	2012	2011
Balance at beginning of period	P15,601	P11,545
Impairment (reversal of impairment) losses recognized during the period	(798)	5,596
Write-offs during the period	(142)	(1,540)
Balance at end of period	P14,661	P15,601

The rollforward of excess of cost over deposit values of returnable bottles and cases is as follows:

	Note	2012	2011
Gross carrying amount*:			
Balance at beginning of period		P6,934,011	P6,040,346
Additions		1,474,972	893,665
Balance at the end of period		8,408,983	6,934,011
Accumulated amortization*:			
Balance at beginning of period		4,719,348	4,040,651
Amortization for the period	15	700,278	678,699
Other movements		(76)	(2)
Balance at the end of period		5,419,550	4,719,348
Carrying amount*:			
Balance at end of period		P2,989,433	P2,214,663

*This includes pallets under finance lease of P283.9 million and P141.1 million as at December 31, 2012 and 2011, respectively, with related accumulated amortization amounting to P76.7 million and P47.6 million as at December 31, 2012 and 2011, respectively, and net book value of P207.2 million and P93.5 million as at December 31, 2012 and 2011, respectively.

The amortization recognized for the period is included as part of "Cost of Goods Sold" account in the statements of comprehensive income.

9. Property, Plant and Equipment

The movements in this account are as follows:

	Note	Machinery and Other Equipment	Buildings and Leasehold Improvements	Furniture and Fixtures	Construction in Progress	Total
Gross carrying amount:						
December 31, 2010		P7,477,234	P843,084	P31,702	P522,732	P8,874,752
Additions		725,972	100,955	3,280	153,890	984,097
Disposals/write-offs		(102,341)	-	(110)	-	(102,451)
Transfers/reclassifications		163,794	6,930	(145)	(170,579)	-
December 31, 2011		8,264,659	950,969	34,727	506,043	9,756,398
Additions		639,181	92,576	1,872	900,419	1,634,048
Disposals		(109,124)	(246)	-	-	(109,370)
Transfers/reclassifications		371,924	123,782	26	(495,732)	-
December 31, 2012		9,166,640	1,167,081	36,625	910,730	11,281,076
Accumulated depreciation and amortization:						
December 31, 2010		4,966,662	509,947	23,512	-	5,500,121
Depreciation and amortization	15, 16, 17	459,902	30,016	1,596	-	491,514
Disposals/write-offs		(92,253)	-	(110)	-	(92,363)
Transfers/reclassifications		(33)	33	-	-	-
December 31, 2011		5,334,278	539,996	24,998	-	5,899,272
Depreciation and amortization	15, 16, 17	527,535	36,176	1,844	-	565,555
Disposals		(102,069)	(200)	-	-	(102,269)
Reclassifications/transfers		14	(13)	(1)	-	-
December 31, 2012		5,759,758	575,959	26,841	-	6,362,558
Carrying amount:						
December 31, 2011		P2,930,381	P410,973	P9,729	P506,043	P3,857,126
December 31, 2012		P3,406,882	P591,122	P9,784	P910,730	P4,918,518

Depreciation and amortization are recognized in profit or loss as follows:

		Years Ended December 31		For the Six-Month Period From July 1 to December 31,
	Note	2012	2011	2010
Cost of goods sold	15	P252,374	P206,494	P161,336
Selling and distribution	16	281,162	249,373	129,569
General and administrative	17	32,019	35,647	15,302
		P565,555	P491,514	P306,207

The Company's bank loans were obtained for working capital requirements, thus no borrowing costs were capitalized in 2012 and 2011.

In 2011, the Company reviewed and changed the EUL of certain property and equipment in line with its actual utilization. The effect of the changes in depreciation expense recognized under "Cost of Goods Sold" and "Operating Expenses" accounts in the statements of comprehensive income in 2011, 2012 and future years as follows:

	2011	2012	2013	2014	2015 and beyond
Increase (decrease) in depreciation and amortization expense	(P175,306)	(P137,357)	(P87,371)	(P66,790)	P466,824

The Company has ongoing corporate expansion projects or programs approved by the BOD. As a result of this expansion program, the Company spent for property, plant and equipment, as well as bottles and cases, amounting to P3.148 billion and P1.906 billion for the years ended December 31, 2012 and 2011, respectively, and P0.745 billion for the six-month period from July 1 to December 31, 2010.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2012	2011
Trade payables		P2,486,512	P1,954,216
Non-trade payables		277,976	220,984
Accrued contract services		270,451	172,469
Accrued advertising and marketing		227,894	143,886
Accrued personnel cost	23	192,799	152,980
Finance lease liability - current	26	65,340	17,833
Accrued rent		44,489	41,054
Other accrued expenses		321,563	187,270
		P3,887,024	P2,890,692

The Company's trade payables mostly pertain to raw material purchases made by the Company with a general payment term of 30 to 90 days.

Accrued contract services pertain to accrued freight charges, tolling fees and other services.

Non-trade payables mainly consist of withholding taxes, payables to other government agencies and other items that are individually immaterial or insignificant.

Accrued personnel cost includes current portion of accrued retirement cost, salaries and other benefits.

The Company's other accrued expenses consist mainly of accruals for utilities and other operating expenses which are not individually significant.

The Company's exposure to liquidity risk related to accounts payable and accrued expenses is disclosed in Note 22 to the financial statements.

11. Notes Payable

As at December 31, 2012, this account represents outstanding unsecured short-term loans from local banks, which are interest-bearing and are payable in lump sum on maturity dates up to March 18, 2013. The outstanding unsecured short-term bank loans as at December 31, 2011 amounting to P750 million was fully settled in 2012. Interest rates on the said loans range from 2.9% to 4% in 2012 and 2011.

Interest expense on notes payable recognized in profit or loss amounted to P31.9 million and P20.0 million for the years ended December 31, 2012 and 2011, respectively, and P1.5 million for the six-month period from July 1 to December 31, 2010.

Information about the Company's exposures to interest rate risk and liquidity risk is disclosed in Note 22 to the financial statements.

12. Income Taxes

The components of the income tax expense are as follows:

	Years Ended December 31		For the Six-Month Period From July 1 to December 31,
	2012	2011	2010
Current tax expense and final taxes on interest income	P144,981	P73,238	P80,004
Deferred tax expense (benefit) from origination and reversal of temporary differences and others	216,689	52,121	(24,774)
	P361,670	P125,359	P55,230

Net deferred tax liabilities are attributable to the following:

	2012	2011
Deferred tax assets on:		
Allowance for probable losses in values of bottles and cases, impairment losses, inventory obsolescence and others	P131,977	P106,525
Accrual for retirement cost	95,038	72,323
Unamortized past service cost	16,362	22,664
MCIT	-	40,132
	243,377	241,644
Deferred tax liabilities on:		
Bottles and cases	(658,734)	(473,422)
Marketing equipment	(220,566)	(187,456)
	(879,300)	(660,878)
	(P635,923)	(P419,234)

The Company's excess MCIT over RCIT amounting to P40.1 million in 2011, was applied against the Company's current tax expense in 2012.

The reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense shown in the statements of comprehensive income is as follows:

	Years Ended December 31		For the Six-Month Period From July 1 to December 31,
	2012	2011	2010
Income before income tax	P1,205,675	P414,406	P184,916
Tax rate at 30%	P361,703	P124,322	P55,475
Additions to (reductions in) income tax resulting from the tax effects of:			
Nondeductible expenses	407	347	527
Equity in net losses (earnings) of associates	(29)	1,041	(239)
Interest income subjected to final tax	(411)	(351)	(533)
	P361,670	P125,359	P55,230

13. Related Party Transactions

Related party relationship exists when one party has ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprises, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

The effects on current operations of the related party transactions are shown under the appropriate accounts in the financial statements as follows:

Category	Nature of Transaction	Note		Amount of Transactions for the Period	Outstanding balance of Due from Related Parties
Stockholder*	Purchases	13a	2012	P7,524	P -
			2011	2,516	-
			2010**	-	-
Associates	Advances	13b, 13c	2012	40,042	421,278
			2011	13,587	366,844
			2010**	2,642	357,006
	Various	13b	2012	14,392	-
			2011	14,392	-
			2010**	7,196	-
Key Management Personnel	Short-term employee	13 d	2012	93,002	-
			2011	87,699	-
			2010**	40,301	-
	Post-employment benefits	13 d	2012	2,387	-
			2011	2,009	-
			2010**	1,176	-
			2012	P157,347	P421,278
			2011	P120,203	P366,844
			2010**	P51,315	P357,006

* Entity with significant influence over the Company

** For the six-month period from July 1 to December 31

The above outstanding balances of due from related parties are unsecured and expected to be settled in cash.

The Company has significant related party transactions which are summarized as follows:

- a. The Company purchased finished goods from Lotte Chilsung Beverage Co., Ltd., a major stockholder. Total purchases for the years ended December 31, 2012 and 2011 amounted to P7.5 million and P2.5 million, respectively.
- b. The Company leases parcels of land where some of its bottling plants are located. Rent expenses recognized under "Cost of Goods Sold" and Operating Expenses" accounts in the statements of comprehensive income amounted to P10.6 million each for the years ended December 31, 2012 and 2011 and P5.3 million for the six-month period from July 1 to December 31, 2010. The Company has advances to NRC amounting to P38.0 million as at December 31, 2012 and 2011, which bear interest at a fixed rate of 10% per annum and which are unsecured and payable on demand. The related interest income amounting to P3.8 million each for the years ended December 31, 2012 and 2011 and P1.9 million for the six-month period from July 1 to December 31, 2010 is recognized under "Other income - net" account in the statements of comprehensive income. The Company also has outstanding net receivables from NRC amounting to P379.5 million and P324.8 million as at December 31, 2012 and 2011, respectively, which are unsecured and payable on demand. The advances and receivables are included under "Due from related parties" account in the statements of financial position.

- c. The Company has outstanding working capital advances to NHC, an associate, amounting to P3.8 million and P4.0 million as at December 31, 2012 and 2011, respectively, and which are unsecured and payable on demand. The advances are included under "Due from related parties" account in the statements of financial position.
- d. In addition to their salaries, the Company also provides non-cash benefits to key management personnel and contributes to a defined benefit retirement plan on their behalf. There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits for which they may be entitled under the Company's retirement plan.

14. Significant Agreements

The Company has exclusive bottling agreement and other transactions which are summarized below:

- a. The Company has Exclusive Bottling Agreements with PepsiCo, Inc. ("PepsiCo"), the ultimate parent of Quaker Global Investments B.V, a shareholder, up to year 2017 and Pepsi Lipton International Limited ("Pepsi Lipton"), a joint venture of PepsiCo and Unilever N.V., up to year 2017 (as renewed). Under the agreements, the Company is authorized to bottle, sell and distribute PepsiCo and Pepsi Lipton beverage products in the Philippines. In addition, PepsiCo and Pepsi Lipton shall supply the Company with the main raw materials (concentrates) in the production of these beverage products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, PepsiCo and Pepsi Lipton have the right to terminate the contracts under certain conditions, including failure to comply with terms and conditions of the appointment subject to written notice and rectification period, change of ownership control of the Company, change of ownership control of an entity which controls the Company, discontinuance of bottling beverages for 30 consecutive days, occurrence of certain events leading to the Company's insolvency or bankruptcy, change in management and control of the business, among others. Purchases made from PepsiCo is made thru Pepsi-Cola Far East Trade Development Co., Inc. (PCFET), a company incorporated under Philippines laws. Total net purchases from PCFET amounted to P3.405 billion and P2.862 billion for the years ended December 31, 2012 and 2011, respectively, and P1.524 billion for the six-month period from July 1 to December 31, 2010. The Company's outstanding payable to PCFET (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P216.1 million and P229.6 million as at December 31, 2012 and 2011, respectively. Total purchases from Pepsi Lipton amounted to P90.9 million and P77.2 million for the years ended December 31, 2012 and 2011, respectively, and P36.3 million for the six-month period from July 1 to December 31, 2010.

- b. The Company has cooperative advertising and marketing programs with PepsiCo and Pepsi Lipton thru PCFET that sets forth the agreed advertising and marketing activities and participation arrangement during the years covered by the bottling agreements. In certain instances, the Company pays for the said expenses and claims reimbursement from PepsiCo. The Company incurred marketing expenses amounting to P747.3 million and P486.6 million for the years ended December 31, 2012 and 2011, respectively, and P228.5 million for the six-month period from July 1 to December 31, 2010. The Company's outstanding receivable from PCFET included under "Receivables" account in the statements of financial position, which are unsecured and are payable on demand, amounted to P44.7 million and P76.0 million as at December 31, 2012 and 2011, respectively.
- c. On April 11, 2007, the Company entered into a Performance Agreement with PepsiCo to meet certain marketing and investment levels from 2007 to 2017, as required by the bottling agreement with PepsiCo. The agreement requires the Company to: (1) spend a specified percentage with a minimum amount for the beverage products; (2) make certain investments based on a minimum percentage of the Company's sales to expand the Company's manufacturing capacity; (3) invest in a minimum number of coolers per year to support distribution expansion; and (4) expand the Company's distribution capabilities in terms of the number of active routes, the number of new routes and the number of trucks used for distribution support.

15. Cost of Goods Sold

Cost of goods sold consists of:

		Years Ended December 31		For the Six-Month Period From July 1 to December 31,
	Note	2012	2011	2010
Materials and supplies used	14	P10,557,515	P10,294,562	P4,895,786
Delivery and freight		1,297,250	987,499	446,056
Depreciation and amortization	8, 9, 18	910,954	859,747	455,268
Rental and utilities	13, 26	438,511	377,847	164,722
Personnel expenses	19	342,768	308,066	157,491
Others	6	658,708	621,752	331,250
		P14,205,706	P13,449,473	P6,450,573

16. Selling and Distribution Expenses

Selling and distribution expenses consist of:

		Years Ended December 31		For the Six-Month Period From July 1 to December 31,
	Note	2012	2011	2010
Distribution		P638,490	P545,051	P265,496
Personnel expenses	19	479,609	406,805	227,513
Delivery and freight		428,049	327,772	150,115
Depreciation and amortization	8, 9, 18	322,860	274,819	141,053
Rental and utilities	13, 26	147,311	149,033	67,800
Others	5	480,292	402,384	206,685
		P2,496,611	P2,105,864	P1,058,662

The "Others" account includes various items that are individually immaterial.

17. General and Administrative Expenses

General and administrative expenses consist of:

		Years Ended December 31		For the Six-Month Period From July 1 to December 31,
	Note	2012	2011	2010
Personnel expenses	19	P457,071	P350,168	P194,738
Outside services		117,410	84,875	72,130
Rental and utilities	13, 26	99,617	96,011	55,245
Others	9, 18	195,877	147,846	69,732
		P869,975	P678,900	P391,845

The "Others" account includes depreciation and amortization of property plant and equipment and other items that are individually immaterial.

18. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<i>Note</i>	Years Ended December 31		For the Six-Month Period From July 1 to December 31,
		2012	2011	2010
Cost of goods sold	15	P910,954	P859,747	P455,268
Selling and distribution	16	322,860	274,819	141,053
General and administrative	17	32,019	35,647	15,302
		P1,265,833	P1,170,213	P611,623

19. Personnel Expenses

	<i>Note</i>	Years Ended December 31		For the Six-Month Period From July 1 to December 31,
		2012	2011	2010
Salaries and wages		P1,203,729	P1,014,189	P551,128
Retirement cost	23	75,719	50,850	28,614
		P1,279,448	P1,065,039	P579,742

The above amounts are distributed as follows:

	<i>Note</i>	Years Ended December 31		For the Six-Month Period From July 1 to December 31,
		2012	2011	2010
Selling and distribution	16	P479,609	P406,805	P227,513
General and administrative	17	457,071	350,168	194,738
Cost of goods sold	15	342,768	308,066	157,491
		P1,279,448	P1,065,039	P579,742

20. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	Years Ended December 31		For the Six-Month Period From July 1 to December 31,
	2012	2011	2010
Net income (a)	P844,005	P289,047	P129,686
Issued shares at beginning of the period	3,693,772,279	3,693,772,279	3,693,772,279
Weighted average number of shares outstanding (b)	3,693,772,279	3,693,772,279	3,693,772,279
Basic/diluted EPS (a/b)	P0.23	P0.08	P0.04

As at December 31, 2012, 2011, and 2010, the Company has no dilutive equity instruments.

21. Segment Information

As discussed in Note 1, the Company is engaged in the manufacture, sales and distribution of CSD and NCB. The Company's main products under its CSD category include brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, and Mug. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton, Sting energy drink and Propel fitness water. The Company operates under two (2) reportable operating segments, the CSD and NCB categories. Analysis of financial information by operating segment is as follows:

(In 000,000's)	CSD			NCB			Combined		
	For the Year Ended December 31		For the Six-Month Period from July 1 to December 31,	For the Year Ended December 31		For the Six-Month Period from July 1 to December 31,	For the Year Ended December 31		For the Six-Month Period from July 1 to December 31,
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Net sales									
External sales	P15,975	P14,071	P6,948	P6,758	P5,890	P2,647	P22,733	P19,961	P9,595
Sales discounts and returns	(2,458)	(2,138)	(1,011)	(781)	(694)	(290)	(3,239)	(2,832)	(1,301)
Net sales	P13,517	P11,933	P5,937	P5,977	P5,196	P2,357	P19,494	P17,129	P8,294
Result									
Segment result*	P3,603	P2,563	P1,319	P1,593	P1,116	P524	P5,288	P3,679	P1,843
Unallocated expenses							(4,114)	(3,271)	(1,679)
Interest and financing expenses							(39)	(26)	(1)
Equity in net earnings of associates							-	(3)	1
Interest income							8	7	6
Other income - net							62	29	15
Income tax expense							(361)	(126)	(55)
Net income							P844	P289	P130
Other information**									
Segment assets							P11,968	P9,584	P8,507
Investments in associates							527	527	531
Other noncurrent assets							165	148	99
Combined total assets							P12,660	P10,259	P9,137
Segment liabilities							P4,286	P3,146	P2,904
Income tax payable							-	-	11
Notes payable							950	750	200
Deferred tax liabilities - net							636	419	267
Combined total liabilities							P5,872	P4,315	P3,482
Capital expenditures							P3,148	P1,906	P745
Depreciation and amortization of bottles and cases and property, plant and equipment							1,266	1,170	612
Noncash items other than depreciation and amortization							3	61	34

* Segment result is the difference between net sales and segment expenses. Segment expenses are allocated based on the percentage of each reportable segment's net sales over total net sales.

** Segment assets and liabilities relate to balances as at December 31, 2012, 2011, and 2010.

The Company presents its operating segments performance based on net income. There were no intersegment sales recognized between the two reportable segments.

The Company uses its assets and incurs liabilities to produce both CSD and NCB, hence, the assets and liabilities are not directly attributable to a segment and cannot be allocated into each segment on a reasonable basis.

The Company derived operations within the Philippines, hence, the Company does not present geographic information required by PFRS 8.

Major Customer

The Company does not have any single external customer from which sales revenue generated amounted to 10% or more of the net sales.

22. Financial Instruments

Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

Risk Management Framework

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Executive Committee (EXCOM), which is responsible for developing and monitoring the Company's risk management policies. The EXCOM identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee performs oversight over financial management and internal control, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The BOD is assisted in the oversight role by the Internal Audit. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

There were no changes in the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk from previous year.

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's trade receivables.

Exposure to Credit Risk

The carrying amounts of the financial assets represent the Company's maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	2012	2011
Cash and cash equivalents (excluding cash on hand)	P282,096	P238,489
Receivables - net	1,339,240	1,336,839
Due from related parties	421,278	366,844
Total credit exposure	P2,042,514	P1,942,172

The Plant Credit Committees have established a credit policy under which each new customer is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The Company's review includes the requirements of updated credit application documents, credit verifications through confirmation that there are no credit violations and that the account is not included in the negative list, and analyses of financial performance to ensure credit capacity. Credit limits are established for each customer, which serve as the maximum open amount at which they are allowed to purchase on credit, provided that credit terms and conditions are observed.

The credit limit and status of each customer's account are first checked before processing a credit transaction. Customers that fail to meet the Company's conditions in the credit checking process may transact with the Company only on cash basis.

Most of the Company's customers have been transacting with the Company for several years, and losses have occurred from time to time. Customer credit risks are monitored through annual credit reviews conducted on a per plant basis. Results of credit reviews are grouped and summarized according to credit characteristics, such as geographic location, aging profile and credit violations. Historically, credit violations have been attributable to bounced checks, denied and absconded credit accounts.

It is the Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk.

Collateral securities are required for credit limit applications that exceed certain thresholds. The Company has policies for acceptable collateral securities that may be presented upon submission of credit applications. Collateral securities include bank guarantees, time deposits, surety bonds, real estate and/or chattel mortgages. The aggregate fair market value of these collateral securities amounted to P167.5 million and P155.9 million as at December 31, 2012 and 2011, respectively.

To pursue timely realization of collateral in an orderly manner, the Company's policy discourages the acceptance of chattel and real estate collateral. For chattel and real estate collateral, the Company created rules governing the acceptance of such guarantees. On instances of customer default, the Company's credit committee with the support of the Corporate Legal Department is responsible for the foreclosure of collaterals in the form of real and movable personal properties. Series of demand letters are sent to the defaulting customer to command for payment and to propose for debt repayment agreements. If the customer fails to cooperate, the case will be endorsed to the Legal Department to facilitate the foreclosure of the collateral. The Company generally does not use non-cash collateral for its own operations.

As at December 31, the aging analysis per class of financial assets is as follows:

December 31, 2012

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash and cash equivalents	P489,188	P -	P -	P -	P -	P489,188
Receivables:						
Trade	817,577	282,539	80,503	49,672	116,082	1,346,373
Others	44,242	17,577	21,744	25,386	46,494	155,443
Due from related parties	421,278	-	-	-	-	421,278
	1,772,285	300,116	102,247	75,058	162,576	2,412,282
Less allowance for impairment losses	-	-	-	-	162,576	162,576
	P1,772,285	P300,116	P102,247	P75,058	P -	P2,249,706

December 31, 2011

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash and cash equivalents	P359,668	P -	P -	P -	P -	P359,668
Receivables:						
Trade	756,286	295,440	75,877	56,855	116,703	1,301,161
Others	119,557	17,598	6,538	8,688	51,690	204,071
Due from related parties	366,844	-	-	-	-	366,844
	1,602,355	313,038	82,415	65,543	168,393	2,231,744
Less allowance for impairment losses	-	-	-	-	168,393	168,393
	P1,602,355	P313,038	P82,415	P65,543	P -	P2,063,351

The Company believes that the amounts of financial assets that are neither past due nor impaired and past due but not impaired are collectible, based on historic payment behavior and extensive analysis of customers counterparties credit risk.

The Company's exposure to credit risk arises from default of the counterparty. There are no significant concentrations of credit risk within the Company.

The credit qualities of financial assets that were neither past due nor impaired are determined as follows:

- Cash in banks and cash equivalents are based on the credit standing or rating of the counterparty.
- Total receivables and due from related parties are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment.

Cash in banks and cash equivalents, trade and other receivables and due from related parties are of high grade quality. High grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard grade quality. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

In addition, the Company has the following credit facilities:

- The total commitment as at December 31, 2012 and 2011 under the line of credit is P3.786 billion and P3.129 billion, respectively, of which the Company had drawn P1.380 billion and P1.225 billion, respectively, under letters of credit and short-term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates; and
- P670 million and P615 million domestic bills purchased line, which were available as at December 31, 2012 and 2011, respectively.

Exposure to Liquidity Risk

The table summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted amounts:

	As at December 31, 2012			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year to Five Years
Financial Assets				
Cash and cash equivalents	P489,188	P489,188	P489,188	P -
Receivables - net	1,339,240	1,339,240	1,339,240	-
Due from related parties	421,278	421,278	421,278	-
	P2,249,706	P2,249,706	P2,249,706	P -
Financial Liabilities				
Notes payable	P950,000	P964,108	P964,108	P -
Accounts payable and accrued expenses *	3,703,417	3,703,417	3,703,417	-
Other noncurrent liabilities*	132,072	149,182	-	149,182
	P4,785,489	P4,816,707	P4,667,525	P149,182

* Excluding statutory payables, accrual for operating leases and of accrued retirement cost.

As at December 31, 2011				
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year to Five Years
Financial Assets				
Cash and cash equivalents	P359,668	P359,668	P359,668	P -
Receivables - net	1,336,839	1,336,839	1,336,839	-
Due from related parties	366,844	366,844	366,844	-
	P2,063,351	P2,063,351	P2,063,351	P -
Financial Liabilities				
Notes payable	P750,000	P764,187	P764,187	P -
Accounts payable and accrued expenses *	2,738,679	2,738,679	2,738,679	-
Other noncurrent liabilities*	64,265	74,533	-	74,533
	P3,552,944	P3,577,399	P3,502,866	P74,533

* Excluding statutory payables, accrual for operating leases and of accrued retirement cost.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Financial Assets Used for Managing Liquidity Risk

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk. To manage its liquidity risk, the Company forecasts cash flows from operations for the next six months which will result in additional available cash resources and enable the Company to meet its expected cash outflow requirements.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in commodity prices, interest rates and currency exchange rates.

Exposure to Commodity Prices

The risk from commodity price changes relates to the Company's ability to recover higher product costs through price increases to customers, which may be limited due to the competitive pricing environment that exists in the Philippine beverage market and the willingness of consumers to purchase the same volume of beverages at higher prices. The Company is exposed to changes in Philippine sugar prices.

The Company minimizes its exposure to risks in changes in commodity prices by entering into contracts with suppliers with duration ranging from six-months to one year; with fixed volume commitment for the contract duration; and with stipulation for price adjustments depending on market prices. The Company has outstanding purchase commitment amounting to P725.3 million as at December 31, 2012. The EXCON considered the exposure to commodity price risk to be insignificant.

Foreign Currency Risk

The Company is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in United States (U.S.) dollar and Euro. In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances. The EXCOM considered the exposure to foreign currency risk to be insignificant. Further, the Company does not hold any investment in foreign securities as at December 31, 2012 and 2011.

Exposure to Interest Rate Risk

The Company's exposure to interest rates pertains to its cash and cash equivalents and short-term notes payable. These short-term financial instruments bear fixed interest rates and accordingly, the Company is not significantly exposed to interest rate risk.

Fair Values

The fair values of the financial assets and liabilities approximate their carrying amounts due to the short-term nature of these financial instruments and the interest rates that they carry approximate interest rates for comparable instruments in the market.

The fair value of finance lease liability is estimated as the present value of all future cash flows discounted using the fixed interest rate. The discount rate used in the present value of the minimum lease payment is the interest rate implicit in the lease. The reduction on the finance lease liability is recognized using the effective interest method.

Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain reasonable growth by applying free cash flow to selective investments that would further the Company's product and geographic diversification. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Chief Financial Officer has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company defines capital as total equity shown in the statements of financial position.

There were no changes in the Company's approach to capital management during the year and the Company is not subject to externally-imposed capital requirements.

The Company's bank debt to equity ratio as at reporting dates is as follows:

	2012	2011
Bank debt*	P950,000	P750,000
Total equity	P6,787,843	P5,943,838
Bank debt to equity ratio	0.14:1	0.13:1

* Bank debt comprises notes payable

23. Retirement Plan

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular and full time employees. The Company has a Retirement Committee that sets the policies for the plan and has appointed two Philippine banks as trustees to manage the retirement fund pursuant to the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2012.

The reconciliation of the assets and liabilities recognized in the statements of financial position is shown below:

	2012	2011
Present value of defined benefit obligation	P644,044	P586,861
Fair value of plan assets	109,768	170,614
Unfunded obligation	534,276	416,247
Unrecognized net actuarial losses	(217,481)	(175,171)
Accrued retirement cost	P316,795	P241,076

The current portion of accrued retirement cost (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P50 million as at December 31, 2012 and 2011, while the noncurrent portion (included under "Other noncurrent liabilities" account in the statements of financial position) amounted to P266.8 million and P191.1 million as at December 31, 2012 and 2011, respectively.

The components of retirement cost recognized in profit or loss are as follows:

	For the Year Ended December 31		For the Six-Month Period From July 1 to December 31,
	2012	2011	2010
Current service cost	P45,622	P24,747	P14,813
Interest cost	35,485	31,958	18,635
Expected return on plan assets	(12,855)	(5,855)	(4,834)
Amortization of unrecognized actuarial gains or losses	7,467	-	-
Net retirement cost	P75,719	P50,850	P28,614
Actual return on plan assets	(P1,243)	P8,471	P9,429

The Company's retirement cost is allocated between "Cost of Goods Sold" account in the statements of comprehensive income, which amounted to P4.8 million and P4.7 million for the years ended December 31, 2012 and 2011, respectively, and P2.5 million for the six-month period from July 1 to December 31, 2010, and "Operating Expenses" account in the statements of comprehensive income which amounted to P70.9 million and P46.2 million for the years ended December 31, 2012 and 2011, respectively, and P26.1 for the six-month period from July 1 to December 31, 2010.

The changes in the present value of defined benefit obligation are as follows:

	2012	2011
Balance at beginning of period	P586,861	P391,053
Interest cost	45,622	31,958
Current service cost	35,485	24,747
Benefits paid	(62,089)	(50,850)
Actuarial loss on obligation	38,165	189,953
Balance at end of period	P644,044	P586,861

The movements in the fair value of plan assets are shown below:

	2012	2011
Balance at beginning of period	P170,614	P155,933
Expected return	12,856	5,855
Benefits paid	(62,089)	(50,850)
Actuarial gain (loss) on plan assets	(11,613)	9,676
Contribution	-	50,000
Balance at end of period	P109,768	P170,614

Principal actuarial assumptions used in determining retirement cost at reporting date (expressed as weighted averages) are as follows:

	2012	2011
Discount rate	6.25%	8.75%
Expected rate of return on plan assets	6.75%	4.50%
Rate of future salary increase	5.00%	5.00%

The Company's plan assets consist of 99% investment in fixed income securities and 1% investments in shares of stocks as at December 31, 2012 and 2011.

The overall expected return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on the historical returns, without adjustments.

The historical information of the amounts is as follows:

	December 31			June 30	
	2012	2011	2010	2010	2009
Present value of the defined benefit obligation	P644,044	P586,861	P391,053	P425,945	P382,590
Fair value of plan assets	109,768	170,614	155,933	214,844	175,708
Deficit in the plan	534,276	(416,247)	(235,120)	(211,101)	(206,882)
Experience adjustments on plan liabilities loss (gain)	(8,126)	73,704	-	(20,179)	20,706
Experience adjustments on plan assets loss	-	-	-	(11,721)	(11,963)

The Company's expected contribution to the plan for the year 2013 is P50 million. Any future contribution to the plan is determined taking into account the cash flow and financial condition as of the date of intended date of contribution as well as other factors as the Company may consider relevant.

24. Capital Stock

This account consists of:

	Years Ended December 31				For the Six-Month Period From July 1 to December 31, 2010	
	2012		2011			
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized - P0.15 par value	5,000,000,000	P750,000	5,000,000,000	P750,000	5,000,000,000	P750,000
Issued and outstanding balance at beginning/ end of year	3,693,772,279	P554,066	3,693,772,279	P554,066	3,693,772,279	P554,066

On February 1, 2008, the Company's initial public offering of 1,142,348,680 shares at P3.50 per share culminated with the listing and trading of its shares of stocks under the First Board of the Philippine Stock Exchange, Inc. of the total shares offered, 380,782,893 shares pertain to the primary offering, which resulted in an increase in capital stock amounting to P57 million and additional paid-in capital of P1.2 billion, net of P138 million transaction cost that is accounted for as a reduction in equity.

The Company has approximately 623 and 643 holders of common equity securities as at December 31, 2012 and 2011, respectively, based on the number of accounts registered with the Stock Transfer Agent. The PCD Nominee Corporation (Filipino) and (Non-Filipino) were considered as two holders.

The Company is compliant with the minimum public float that is required by the Philippine Stock Exchange, Inc. where the Company's shares are traded.

25. Retained Earnings

The BOD approved several declarations of cash dividends amounting to P369 million for the six-month period from July 1 to December 31, 2010 and P554 million for the year ended June 30, 2010. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as at	Date of Payment
September 30, 2009	0.15	October 15, 2009	October 29, 2009
September 9, 2010	0.10	September 24, 2010	October 8, 2010

The Company has a dividend policy to declare dividends to stockholders of record, which are paid from unrestricted retained earnings. Any future dividends it pays will be at the discretion of the BOD after taking into account the Company's earnings, cash flow, financial position, capital and operating progress (see Note 9), and other factors as the BOD may consider relevant. Subject to the foregoing, the policy is to pay up to 50% of the annual net income as dividends. The Company will discuss the possibility of dividend declaration in a BOD meeting to be held after the issuance of this financial statements.

26. Commitments and Contingencies

a. Leases

▪ *Operating Lease Commitments as Lessee*

The Company leases certain parcels of land where its bottling plants, warehouses and facility are located for a period of one to twenty-five years, renewable for another one to twenty-five years. None of these leases includes contingent rentals. Rent expense (included under "Cost of Goods Sold" and Operating Expenses" accounts in the statements of comprehensive income) pertaining to these leased properties amounted to P189 million and P195 million for the years ended December 31, 2012 and 2011, respectively, and P93 million for the six-month period from July 1 to December 31, 2010 (see Notes 13, 15, 16 and 17).

Future minimum lease payments under such noncancelable operating leases are as follows:

	For the Years Ended December 31		For the Six-Month Period From July 1 to December 31,
	2012	2011	2010
Less than one year	P106,099	P92,706	P92,497
Between one and five years	376,630	351,467	318,107
More than five years	409,722	472,609	292,326
	P892,451	P916,782	P702,930

▪ *Finance Lease Commitments as Lessee*

The Company has finance lease agreements covering certain pallets and power generation facilities in its plants for periods ranging from 5 to 10 years. Future minimum lease payments and their present value are as follows:

	2012		2011	
	Future Minimum Lease Payments	Present Value of Minimum Lease Payments	Future Minimum Lease Payments	Present Value of Minimum Lease Payments
Less than one year	P99,832	P19,959	P41,993	P9,627
Between one and five years	462,331	136,869	387,682	130,027
More than five years	359,914	81,258	359,914	81,258
	P922,077	P238,086	P789,589	P220,912

The current portion of the obligation under finance lease, which is included in "Other accrued expenses" under "Accounts payable and accrued expenses" account in the statements of financial position, amounted to P65.3 million and P17.8 million as at December 31, 2012 and 2011, respectively, while the noncurrent portion, which is included under "Other noncurrent liabilities" account in the statements of financial position, amounted to P132.1 million and P64.2 million as at December 31, 2012 and 2011, respectively.

The lease agreement on the power generation facilities has not yet commenced and the Company is expecting to use the said facilities in 2013, thus, no assets and liabilities have been recognized as at December 31, 2012.

Interest rates are fixed at the contract date. The average effective interest rate contracted approximates 6.0% to 6.5% per annum. There were no unguaranteed residual values of assets leased under finance lease agreements as at December 31, 2011 and 2010. Interest expense related to the obligation under finance lease amounted to P7.3 million and P5.9 million for the years ended December 31, 2012 and 2011, respectively, and P3.1 million for the six-month period from July 1 to December 31, 2010.

▪ *Operating Lease Commitments as Lessor*

The Company subleases one of the Company's warehouse for a period of fifteen years renewable for another ten years. Rent income pertaining to these leased properties amounted to P1.7 million and P2.1 million for the years ended December 31, 2012 and 2011, respectively, and P1.1 million and for the six-month period from July 1 to December 31, 2010. The said rent income is recognized under "Finance and Other Income (Expenses)" account in profit or loss.

Future minimum lease revenues under such noncancellable operating leases are as follows:

	For the Year Ended December 31		For the Six-Month Period From July 1 to December 31,
	2012	2011	2010
Less than one year	P1,680	P1,680	P2,297
Between one and five years	7,098	6,930	574
More than five years	18,073	19,921	-
	P26,851	P28,531	P2,871

- b. The Company is a party to a number of lawsuits and claims relating to labor and other issues arising out of the normal course of its business. Management and its legal counsels believe that the outcome of these lawsuits and claims will not materially affect the financial position, financial performance or liquidity of the Company.

27. Supplementary Information Required by the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. Following are the tax information/disclosures required for the taxable year ended December 31, 2012:

I. Based on RR No. 19-2011

A. Sales/Receipts/Fees

	Regular/ Normal Rate
Sale of goods	P19,494,198

B. Cost of goods sold

	Regular/ Normal Rate
Cost of goods sold	P14,918,274

C. Non-Operating and Taxable Other Income

	Regular/ Normal Rate
Scrap sales	P40,851
Interest income	3,825
Rent income	6,436
Miscellaneous income	47,033
	P98,145

D. Itemized Deductions

	Regular/ Normal Rate
Personnel expenses	P1,079,850
Marketing	857,682
Outside services	469,793
Delivery and freight	433,065
Distribution	417,146
Depreciation	262,844
Rental and utilities	204,900
Others	334,485
	P4,059,765

II. Based on RR No. 15-2010

A. VAT

	Amount
1. Output VAT	P2,288,936
Basis of the Output VAT:	
Vatable sales	P19,187,881
Zero rated sales	314,846
Net deductible discount	(113,412)
	P19,389,315
2. Input VAT	
Beginning of the year	P -
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	1,372,656
b. Goods other than for resale or manufacture	-
c. Capital goods subject to amortization	40,959
d. Capital goods not subject to amortization	-
e. Services lodged under cost of goods sold	388,770
f. Services lodged under other accounts	-
g. Importations	225,299
Payment	217,901
Application against output VAT	(2,245,585)
Claims for tax credit/refund and other adjustments	-
Balance at the end of the year	P -
3. Customs Duties and Tariff Fees:	
Landed cost of imports	P1,837,256
Customs duties paid or accrued	40,286
	P1,877,542

B. Documentary Stamp Tax

	Amount
On loan instruments	P3,714
On others	1,702
	P5,416

C. Withholding Taxes

	Amount
Creditable withholding taxes	P210,149
Tax on compensation and benefits	190,785
Final withholding taxes	2,421
	<u>P403,355</u>

D. All Other Taxes (Local and National)

	Amount
<i>Other taxes paid during the year recognized under</i> <i>"Others" account under Cost of Goods Sold and</i> <i>Operating Expenses</i>	
License and permit fees	— P73,478
Others and real estate taxes	54,745
	<u>P128,223</u>

E. Deficiency Tax Assessments and Tax Cases

As of December 31, 2012, the Company has no pending tax court cases or has not received tax assessment notices from the BIR.

Information on amount of excise taxes tax is not applicable since there are no transactions that the Company would be subject to these taxes.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

	Years Ended December 31	
	2012	2011
Current ratio (Current assets over current liabilities)	0.7 : 1	0.9 : 1
Solvency ratio (Net income plus depreciation and amortization over total liabilities)	0.4 : 1	0.3 : 1
Bank debt-to-equity ratio (Bank debt over total equity)	0.14 : 1	0.13 : 1
Asset-to-equity ratio (Total assets over total equity)	1.9 : 1	1.7 : 1
Interest rate coverage ratio (Earnings before interest and taxes over interest expense)	31.5 : 1	16.7 : 1
Profitability ratios:		
Operating profit margin (Operating income over net sales)	6.0%	2.4%
Net profit margin (Net income over net sales)	4.3%	1.7%



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REPORT OF INDEPENDENT AUDITORS

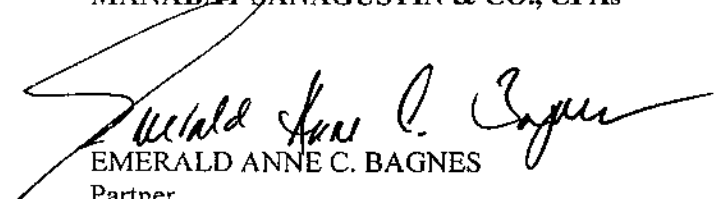
The Board of Directors and Stockholders
Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road
Tunasan, Muntinlupa City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Pepsi Cola Products Philippines Inc., (the "Company") as at December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011, and for the six-month period from July 1 to December 31, 2010, included in this Form 17-A, and have issued our report thereon dated March 7, 2013.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include: Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration; Map of the Group; Schedule of Philippine Financial Reporting Standards; and Supplementary Schedules of Annex 68-E.

The supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs


EMERALD ANNE C. BAGNES

Partner

CPA License No. 0083761

SEC Accreditation No. 0312-AR-2, Group A, valid until March 28, 2015

Tax Identification No. 102-082-332

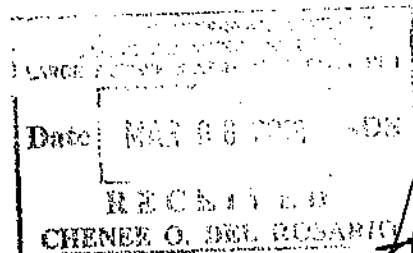
BIR Accreditation No. 08-001987-12-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3669501MC

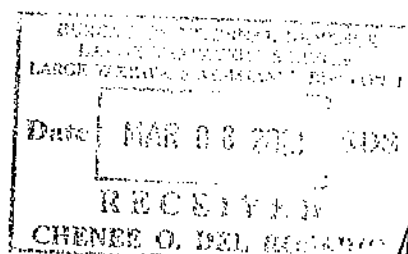
Issued January 2, 2013 at Makati City

March 7, 2013
Makati City, Metro Manila



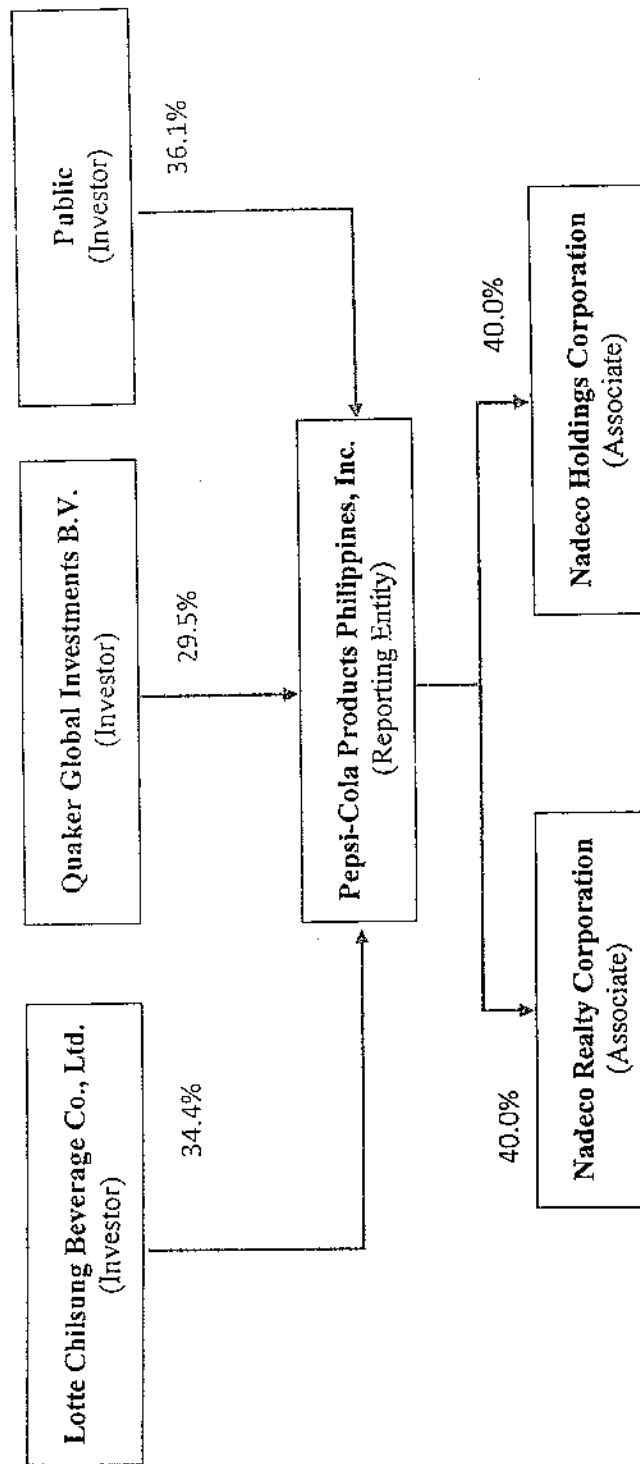
PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2012
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning	P4,192,403
Adjustments:	
Less: Equity in income loss of associate/joint venture	(P295,694)
Add: Deferred tax expense	419,234
Unappropriated Retained Earnings, as adjusted, beginning	4,315,943
Net Income based on the face of AFS	844,005
Less: Non-actual/unrealized income net of tax	
Equity in net loss (income) of associate/joint venture	(96)
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustments (M2M gains)	-
Fair value adjustments of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
Deferred tax expense	216,689
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net Income Actual/Realized	1,060,598
Unappropriated Retained Earnings, as adjusted, ending	P5,376,541



PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Map of Group of Companies Within which the Company Belong
As at December 31, 2012



PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS
Effective as at December 31, 2012

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		X		
Conceptual Framework Phase A: Objectives and qualitative characteristics			X	
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			X
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			X
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			X
	Amendments to PFRS 1: Government Loans			X
PFRS 2	Share-based Payment			X
	Amendments to PFRS 2: Vesting Conditions and Cancellations			X
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			X
PFRS 3 (Revised)	Business Combinations			X
PFRS 4	Insurance Contracts			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			X
PFRS 6	Exploration for and Evaluation of Mineral Resources			X
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PFRS 7: Transition			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			X
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities		X	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		X	
PFRS 8	Operating Segments	X		
PFRS 9	Financial Instruments		X	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		X	
PFRS 10	Consolidated Financial Statements		X	

		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements		X	
PFRS 12	Disclosure of Interests in Other Entities		X	
PFRS 13	Fair Value Measurement		X	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			X
PAS 2	Inventories	X		
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Balance Sheet Date	X		
PAS 11	Construction Contracts			X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			X
PAS 16	Property, Plant and Equipment	X		
PAS 17	Leases	X		
PAS 18	Revenue	X		
PAS 19	Employee Benefits	X		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X		
PAS 19 (Amended)	Employee Benefits		X	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation			X
PAS 23 (Revised)	Borrowing Costs	X		
PAS 24 (Revised)	Related Party Disclosures	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X
PAS 27 (Amended)	Separate Financial Statements			X
PAS 28 (Amended)	Investments in Associates and Joint Ventures	X		
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 31	Interests in Joint Ventures			X

		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendment to PAS 32: Classification of Rights Issues			X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		X	
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
PAS 36	Impairment of Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets			X
PAS 39	Financial Instruments: Recognition and Measurement	X		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			X
	Amendments to PAS 39: The Fair Value Option			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			X
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			X
	Amendment to PAS 39: Eligible Hedged Items			X
PAS 40	Investment Property			X
PAS 41	Agriculture			X
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			X
IFRIC 8	Scope of PFRS 2			X
IFRIC 9	Reassessment of Embedded Derivatives			X
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			X
IFRIC 10	Interim Financial Reporting and Impairment	X		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			X
IFRIC 12	Service Concession Arrangements			X
IFRIC 13	Customer Loyalty Programmes			X

		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			X
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			X
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			X
IFRIC 17	Distributions of Non-cash Assets to Owners			X
IFRIC 18	Transfers of Assets from Customers			X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			X
SIC-7	Introduction of the Euro			X
SIC-10	Government Assistance - No Specific Relation to Operating Activities			X
SIC-12	Consolidation - Special Purpose Entities			X
	Amendment to SIC - 12: Scope of SIC 12			X
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			X
SIC-15	Operating Leases - Incentives			X
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		
SIC-29	Service Concession Arrangements: Disclosures.			X
SIC-31	Revenue - Barter Transactions Involving Advertising Services			X
SIC-32	Intangible Assets - Web Site Costs			X

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE A. FINANCIALS ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued
--	---	--	--	-----------------------------

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
Nadeco Realty Corp.	362,834,831	65,229,647	(10,614,261)	-	-	-	417,450,216
Nadeco Holdings Corp.	4,008,730	37,209	(217,941)	-	-	-	3,827,999
Employees	3,955,038	69,021,774	(66,794,495)	-	-	-	6,182,318
Totals	370,798,599	134,288,631	(77,626,697)	-	-	-	427,460,533

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
 SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
--------------------------------	--------------------------------	-----------	-----------------------	--------------------------	---------	-------------	--------------------------

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
 SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
-----------------	-------------------	------------------------	------------------------------	---------------------------	--	----------------

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE E. LONG TERM DEBT

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
---	--------------------------------	--	--

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
 SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
-----------------------------	--------------------------------	-------------------------------

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
 SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
--	---	---	---	--------------------------

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE H. CAPITAL STOCK

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	5,000,000,000	3,693,772,279	-	2,359,759,103	130,009	1,333,933,167
Totals	5,000,000,000	3,693,772,279	-	2,359,759,103	130,009	1,333,933,167