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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000160968
Company Name	PEPSI-COLA PRODUCTS PHILS. INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	111132009000431
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
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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)

Honeylin C. Castolo	(632) 8656-365
Contact Person	Company Telephone Number

09		3	0	SEC Form 17-Q	Any day in November 2009
Month		Day		FORM TYPE	Month Date
Fiscal Year					Annual Meeting

Secondary License Type, If Applicable

C	F	D

Dept. Requiring this Doc.

Amended Article Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2009**

2. Commission 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 issuer's principal office and Postal Code:
   Km. 29 National Road, Tunasan, Muntinlupa City 1773

8. Issuer's telephone number, including area code: **(632) 8656-365**

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 Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding as of September 30, 2008
Common Shares of Stock	**3,693,772,279**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] No [ ]

    Stock Exchange: **Philippine Stock Exchange**
    Securities Listed: **Common Shares of Stock**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)

    Yes [X] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [X] No [ ]

Part 1 – Financial Information

Item 1. Financial Statements.

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

	Note	**September 30 2009 (Unaudited)**	June 30 2009 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*9*	**P667,010**	P413,088
Receivables - net	*9*	**950,423**	987,965
Inventories		**871,730**	703,963
Due from associates	*7, 9*	**89,743**	89,737
Due from a related party	*7, 9*	**58,650**	26,717
Prepaid expenses and other current assets	*9*	**66,846**	71,928
Total Current Assets		**2,704,402**	2,293,398
Noncurrent Assets			
Investments in associates		**528,168**	527,723
Bottles and cases - net		**2,388,394**	2,441,198
Property, plant and equipment - net	*6*	**3,147,145**	3,156,001
Other assets - net		**130,256**	143,941
Total Noncurrent Assets		**6,193,963**	6,268,863
		P8,898,365	P8,562,261
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*9*	**P -**	P50,000
Accounts payable and accrued expenses	*9*	**2,245,669**	2,138,380
Dividends payable	*9*	**537,630**	-
Income tax payable		**274,599**	156,456
Total Current Liabilities		**3,057,898**	2,344,836
Noncurrent Liabilities			
Accrued retirement cost - net of current portion		**140,345**	131,830
Deferred tax liabilities - net		**343,036**	375,723
Total Noncurrent Liabilities		**483,381**	507,553
Total Liabilities		**3,541,279**	2,852,389

Forward

	September 30 2009 (Unaudited)	June 30 2009 (Audited)
Equity		
Capital stock	**P554,066**	P554,066
Additional paid-in capital	**1,197,369**	1,197,369
Effect of dilution of ownership	**(1,018)**	(1,018)
Retained earnings	**3,606,669**	3,959,455
Total Equity	**5,357,086**	5,709,872
	P8,898,365	P8,562,261

See Notes to the Condensed Interim Financial Information.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings Per Share)

		For The Three Months Ended September 30	
		2009	2008
	Note	(Unaudited)	
NET SALES		**P3,624,715**	P3,333,903
COST OF GOODS SOLD		**2,568,489**	2,375,332
GROSS PROFIT		**1,056,226**	958,571
OPERATING EXPENSES		**780,976**	803,193
INCOME FROM OPERATIONS		**275,250**	155,378
NETFINANCE AND OTHER INCOME		**12,083**	11,831
INCOME BEFORE INCOME TAX		**287,333**	167,209
INCOME TAX EXPENSE		**86,053**	42,421
NET INCOME		**P201,280**	P124,788
Basic/Diluted Earnings Per Share	*5*	**P0.05**	P0.03

See Notes to the Condensed Interim Financial Information.

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

		For The Three Months Ended September 30	
	Note	**2009**	2008
		(Unaudited)	
CAPITAL STOCK			
Common stock - P0.15 par value per share			
Authorized - 5,000,000,000			
Issued and outstanding - 3,693,772,279		**P554,066**	P554,066
ADDITIONAL PAID-IN CAPITAL		**1,197,369**	1,212,757
EFFECT OF DILUTION OF OWNERSHIP		**(1,018)**	(1,018)
RETAINED EARNINGS			
Balance at beginning of period		**3,959,455**	3,528,969
Net income for the period		**201,280**	124,788
Dividends declared	9	**(554,066)**	(369,205)
Balance at end of period		**3,606,669**	3,284,552
		P5,357,086	P5,050,357

See Notes to the Condensed Interim Financial Information.

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

	Note	For The Three Months Ended September 30 2009	2008
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P287,333**	P167,209
Adjustments for:			
Depreciation and amortization	6	**286,792**	269,785
Allowance for probable losses in values of bottles and cases, machinery and equipment, idle assets, impairment losses, inventory obsolescence and others - net		**91,228**	24,647
Retirement cost		**13,365**	15,589
Interest expense		**204**	3,505
Interest income		**(3,989)**	(7,957)
Gain on sale of property and equipment		**(736)**	(846)
Share in net earnings of associates		**(445)**	(6,560)
Operating income before working capital changes		**673,752**	465,372
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		**28,398**	(21,677)
Inventories		**(183,151)**	(12,876)
Due from a related party	7	**(31,933)**	90,204
Prepaid expenses and other current assets		**5,082**	14,280
Increase (decrease) in accounts payable and accrued expenses		**41,003**	(15,816)
Cash generated from operations		**533,151**	519,487
Interest received		**3,440**	7,405
Contribution to plan assets		**(5,000)**	-
Income taxes paid		**(597)**	-
Interest paid		**(204)**	(2,748)
Net cash provided by operating activities		**530,790**	524,144
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of property and equipment		**1,298**	9,466
Net additions to:			
Property, plant and equipment	6	**(140,216)**	(350,540)
Bottles and cases		**(94,629)**	(283,941)
Net increase in amounts due from associates	7	**(6)**	(5,322)
Decrease (increase) in other assets		**6,685**	(27,319)
Net cash used in investing activities		**(226,868)**	(657,656)

Forward

	For The Three Months Ended September 30	
	2009	2008
	(Unaudited)	
CASH FLOW FROM A FINANCING ACTIVITY		
Net proceeds from (repayments of) notes payable	**(P50,000)**	**P152,900**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**253,922**	**19,388**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**413,088**	**590,326**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P667,010**	**P609,714**

See Notes to the Condensed Interim Financial Information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(Amounts in Thousands, Except Number of Shares and Par Value per Share and When Otherwise Stated)

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) and non-carbonated beverages (NCB) to retail, wholesale, restaurants and bar trades. The Company's registered office and principal place of business is at Km. 29, National Road, Tunasan, Muntinlupa City.

The condensed interim financial information of the Company as of and for the three months ended September 30, 2009 were approved and authorized for issue by the Company's Audit Committee on November 11, 2009.

2. Basis of Preparation

Statement of Compliance

These condensed interim financial information have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. These condensed interim financial information do not include all of the information required for a complete set financial statements, and should be read in conjunction with the annual financial statements of the Company as of June 30, 2009.

Use of Judgments and Estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts reported in the condensed interim financial information. Actual results may differ from these estimates.

The significant judgments and estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as of and for the year ended June 30, 2009.

During the three months ended September 30, 2009, management reassessed its estimates in respect of the following:

Estimating Allowance for Impairment Losses on Receivables

As of September 30, 2009 and June 30, 2009, allowance for impairment losses on receivables amounted to P153 million and P150 million, respectively.

Estimating Net Realizable Value of Inventories

As of September 30, 2009 and June 30, 2008, the carrying amount of inventories was reduced to its net realizable values by P28 million and P18 million, respectively.

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the annual financial statements as of and for the year ended June 30, 2009.

New Standard, Revised Standard, Amendments to Standards and Interpretation Adopted in 2009

The following are the new standard, revised standard, amendments to standards and interpretation which are effective for the three months ended September 30, 2009, and have been applied in preparing these condensed interim financial information:

- PFRS 8, *Operating Segments*. This standard became effective on January 1, 2009 and will replace PAS 14, *Segment Reporting*. This PFRS adopts a management approach in reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. It is required for adoption only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the SEC for the purposes of issuing any class of instruments in a public market. The adoption of the standard has been included in the preparation of the Company's condensed interim financial information.

- Revised PAS 1, *Presentation of Financial Statements*. The revised standard became effective on January 1, 2009. The revised standard introduces "total comprehensive income" (i.e., changes in equity during a period, other than those changes resulting from transactions with owners in their capacity as owners), which is presented either in: (a) one statement (i.e., a statement of comprehensive income); or (b) two statements (i.e., an income statement and a statement beginning with profit or loss and displaying components of other comprehensive income). Certain requirements are also required by revised PAS 1 that is not required by the original standard. The adoption of the revised standard has been included in the preparation of the Company's condensed interim financial information.

- *Improvements to PFRSs 2008* became effective on January 1, 2009. These improvements discusses 35 amendments and is divided into two parts: a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and b) Part II includes 11 terminology or editorial amendments that the IASB expects to have either no or only minimal effects on accounting. The adoption of the improvements to standards has been included in the preparation of the Company's condensed interim financial information.

- Amendments to PFRS 7, *Improving Disclosures about Financial Instruments*. The amendments became effective on January 1, 2009. The Amendments enhance disclosures over fair value measurements relating to financial instruments, specifically in relation to disclosures over the inputs used in valuations techniques and the uncertainty associated with such valuations. The Amendments also improve disclosures over liquidity risk to address current diversity in practice on how such disclosure requirements are being interpreted and applied, proposing quantitative disclosures based on how liquidity risk is managed and strengthening the relationship between quantitative and qualitative liquidity risk disclosures. The adoption of the amendments to standard has been included in the preparation of the Company's condensed interim financial information.

- Philippine Interpretation IFRIC-17, *Distributions of Noncash Assets to Owners*. The interpretation became effective on July 1, 2009. This interpretation provides guidance on the accounting for non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. It also applies to distributions in which the owners may elect to receive either the non-cash asset or a cash alternative. The liability for the dividend payable is measured at the fair value of the assets to be distributed. The adoption of this interpretation did not have a significant impact on the Company's condensed interim financial information.

4. Seasonality of Operations

The Company's sales are subject to seasonality. Sales are generally higher in the hot, dry months from March through June and lower during the wetter monsoon months of July through October. While these factors lead to a natural seasonality on the Company's sales, unseasonable weather could also significantly affect sales and profitability compared to previous comparable periods. Higher sales are likewise experienced around the Christmas/New Year holiday period in late December through early January. Consequently, the Company's operating results may fluctuate. In addition, the Company's results may be affected by unforeseen circumstances, such as production interruptions. Due to these fluctuations, comparisons of sales and operating results between periods within a single year, or between different periods in different financial years, are not necessarily meaningful and should not be relied on as indicators of the Company's performance.

5. Basic Earnings Per Share (EPS)

Basic EPS is computed as follows:

	For The Three Months Ended September 30	
	2009	2008
	(Unaudited)	
Net income (a)	**P201,280**	P124,788
Weighted average number of shares outstanding (b)	**3,693,772,279**	3,693,772,279
Basic EPS (a/b)	**P0.05**	P0.03

As of September 30, 2009 and 2008, the Company had no dilutive debt or equity instruments.

6. Property, Plant and Equipment

The movements in this account are as follows:

	Machinery and Other Equipment	Buildings and Leasehold Improvements	Construction in Progress	Furniture and Fixtures	Total
Measurement basis	*Cost*	*Cost*	*Cost*	*Cost*	
Gross carrying amount:					
June 30, 2009 (Audited)	P7,092,528	P762,675	P33,312	P29,092	P7,917,608
Additions	68,089	5,315	66,512	300	140,216
Disposals/write-offs	(13,797)	(70)	-	(229)	(14,096)
September 30, 2009 (Unaudited)	**7,146,820**	**767,919**	**99,824**	**29,164**	**8,043,727**
Accumulated depreciation, amortization and impairment losses:					
June 30, 2009 (Audited)	4,299,565	440,141	-	21,900	4,761,606
Depreciation and amortization	137,106	11,105	-	299	148,510
Disposals/write-offs	(13,247)	(60)	-	(228)	(13,534)
September 30, 2009 (Unaudited)	**4,423,424**	**451,186**	-	**21,971**	**4,896,582**
June 30, 2009 (Audited)	P2,792,963	P322,534	P33,312	P7,192	P3,156,001
September 30, 2009 (Unaudited)	**P2,723,396**	**P316,733**	**P99,824**	**P7,192**	**P3,147,145**

No impairment loss was recognized for the Company's property, plant and equipment for the three months ended September 30, 2009 and 2008.

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

a. The Company has Exclusive Bottling Agreements with PepsiCo, Inc. ("PepsiCo"), stockholder, which has 29.49% beneficial interest in the Company, up to year 2017 and Pepsi Lipton International Limited ("Pepsi Lipton"), a joint venture of PepsiCo and Unilever N.V., up to year 2012. Under the agreements, the Company is authorized to bottle, sell and distribute Pepsi and 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. Total net purchases from PepsiCo, amounted to P691 million and P486 million for the three months ended

September 30, 2009 and 2008, respectively. Total purchases from Pepsi Lipton for the three months ended September 30, 2009 and 2008 amounted to P27 million and P51 million, respectively .

The Company has a cooperative advertising and marketing program with PepsiCo and Pepsi Lipton 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's receivable from PepsiCo amounted to P59 million and P27 million as of September 30, 2009 and June 30, 2009, respectively.

b. 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.

c. Certain parcels of land properties of Nadeco Realty Corporation (NRC), an associate, were mortgaged to secure a portion of the Company's notes payable. The Company leases these parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P9.6 million and P3 million for the three months ended September 30, 2009 and 2008, respectively. The Company has advances to NRC amounting to P38 million which bear interest at a fixed rate of 10% per annum. The Company also has outstanding net receivables from NRC amounting to P50 million and P46 million as of September 30, 2009 and June 30, 2009, respectively, which are unsecured, noninterest bearing and payable on demand.

d. The Company has outstanding working capital advances to Nadeco Holdings Corporation, an associate, amounting to P3 million and P2 million as of September 30, 2009 and June 30, 2009, respectively, and which are unsecured, noninterest bearing and payable on demand.

8. 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 like Pepsi-Cola, 7Up, Mountain Dew and Mirinda. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton and the recently introduced Sting energy drink and Propel fitness water.

The Company operates under two (2) reportable business segments, the CSD and NCB categories, and only one (1) reportable geographical segment which is the Philippines. Thus, a secondary geographic reporting format is not applicable.

Analysis of financial information by business segment is as follows:

	For the Three Months Ended September 30					
	Carbonated Soft Drinks		Noncarbonated Beverages		Combined	
	2009	2008	2009	2008	2009	2008
(In 000,000's)	(Unaudited)		(Unaudited)		(Unaudited)	
Net Sales						
External sales	**P3,017**	P3,053	**P1,179**	P889	**P4,196**	P3,942
Sales discounts and returns	**(452)**	(518)	**(119)**	(90)	**(571)**	(608)
Net sales	**P2,565**	P2,535	**P1,060**	P799	**P3,625**	P3,334
Result						
Segment result*	**P747**	P729	**P309**	P230	**P1,056**	P959
Unallocated expenses					**(781)**	(803)
Interest and financing expenses					**(2)**	(3)
Interest income					**4**	8
Equity in net earnings of associates						1
Foreign exchange loss - net						
Other income (expenses) - net					**9**	5
Income tax expense					**(86)**	(42)
Net Income					**P201**	P125
Other Information						
Segment assets					**P8,240**	P7,776
Investments in and advances to associates					**528**	526
Other assets					**158**	165
Combined total assets					**P8,898**	P8,467
Segment liabilities					**P3,198**	P2,818
Notes payable					**0**	300
Deferred tax liabilities					**343**	314
Combined total liabilities					**P3,541**	P3,432
Capital expenditures					**P235**	P634
Depreciation and amortization and impairment of property, plant and equipment and bottles and cases					**287**	270
Non-cash items other than depreciation and amortization					**41**	25

* Segment expenses were allocated based on the percentage of each reportable segment's net sales over the total net sales.

9. Financial Instruments and Financial Risk Management

The Company's financial instruments are measured as described below:

Cash and Cash Equivalents. Cash includes cash on hands 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.

Loans and Receivables. Loans and receivables are nonderivative 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 Available-for-Sale financial assets or financial asset at fair value through profit or loss (FVPL). Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through amortization process. The Company's trade and other receivables, due from associates and due from a related party are included in this category.

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 carried 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 accounting standards, such as income tax payable and accrued retirement cost).

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.

The Board of Director (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. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and detriment forecasted results. 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 functions, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Company. The results of procedures performed by Internal Audit are reported to the Audit Committee.

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.

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 is 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.

It is the Company's policy to conduct an annual credit review through identification and summarization of under-performing customers and review and validation of credit violation reports. Based on the summary, the Plant Credit Committees may upgrade, downgrade, suspend and cancel credit lines.

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, and denied, fictitious or absconded credit accounts.

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.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)
Receivables trade - net	**P909,888**	P956,019
Cash in bank and cash equivalents	**574,378**	273,673
Other receivables - net	**40,535**	31,946
	P1,524,801	P1,261,638

The aging of trade receivables is as follows:

	September 30, 2009 (Unaudited)		June 30, 2009 (Audited)	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P557,532**	**P -**	P649,654	P -
Past due 0-30 days	**240,672**	**-**	229,850	-
Past due 31-60 days	**46,360**	**-**	51,808	-
More than 60 days	**192,684**	**127,360**	150,219	125,512
	P1,037,248	**P127,360**	P1,081,531	P125,512

Various collateral securities such as bank guarantees, time deposits, surety bonds, real estate and/or chattel mortgages are held by the Company for trade receivables exceeding certain amounts.

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 of September 30, 2009 and June 30, 2009 under the line of credit is P2.9 billion and P2.9 billion, respectively, of which the Company had drawn P303 million and P219 million, 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

- P580 million and P580 million domestic bills purchased line, which are available as of September 30, 2009 and June 30, 2009, respectively.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As of September 30, 2009 (Unaudited)		
	Carrying Amount	**Contractual Cash Flow**	**6 Months or less**
Financial liability			
Accounts payable and accrued expenses	P2,086,376	P2,086,376	P2,086,376
Dividends payable	537,630	537,630	537,630
	P2,624,006	P2,624,006	P2,624,006

	As of June 30, 2009 (Audited)		
	Carrying Amount	Contractual Cash Flow	6 Months or less
Financial liabilities			
Notes payable	P50,000	P50,124	P50,124
Accounts payable and accrued expenses	1,977,426	1,977,426	1,977,426
	P2,027,426	P2,027,550	P2,027,550

Market Risk

Market risk is the risk that changes in market prices, such as 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.

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's most significant commodity exposure is to the Philippine sugar price.

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.

Interest Rate Risk

The Company's exposure to the risk for changes in market interest rate relates primarily to its debt obligations with variable interest rates. The Treasury Department, through its competencies of managing debt obligations, transacts with creditors to ensure the most advantageous terms and to reduce exposure to risk of changes in market interest rate.

Interest Rate Risk

The interest rates profile of the Company's interest-bearing financial instruments is as follows:

	As of September 30 2009 (Unaudited)	As of June 30 2009 (Audited)
Financial assets	**P522,140**	P222,553
Financial liabilities	-	(50,000)
	P522,140	P172,553

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and profits for the three months ended September 30, 2009 and 2008 by P7.3 million and P2.3 million, respectively.

A 2% decrease in interest rates for the three months ended September 30, 2009 and 2008 would have had the equal but opposite effect, on the basis that all other variables remain constant.

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 U.S. dollar and EURO. In respect of monetary assets and liabilities held in currencies other that the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by maintaining short-term cash placements in U.S. dollar and buying foreign currencies at spot rates where necessary to address short-term imbalances. The management considered the exposure to foreign currency risk to be insignificant. Further, the Company does not hold any investment in foreign securities as of September 30, 2009 and June 30, 2009.

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.

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.

Amounts considered as capital by the Company are as shown in the statements of financial position.

On September 30, 2009, the BOD approved the declaration of dividends amounting to P554 million with P0.15 dividend per share, payable to stockholders of record as of October 15, 2009. Said dividends were paid on October 29, 2009.

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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Revenues increased 9% for the comparative three months period in September 30, 2009 and 2008. Similar to previous quarters, revenue growths were driven by growth in non-carbonated beverages (NCB) in keeping with the increasing consumer preference for beverages associated with health and wellness.

The Company expanded its NCB product offerings in line with its strategy to make NCB products available at affordable packaging across the nation. Revenue from NCB products grew 33% for the quarter.

Notwithstanding a crowded and declining carbonated soft drinks market in the Philippines, it generated revenue growth of 1% in carbonated soft drinks for the same period.

Gross profit margin remained at 29% for the comparative quarters in spite of the competitive pressures and impact of higher depreciation on additional capital expenditure. Gross profit for the quarter increased by 10% in line with remarkable sales performance versus year ago levels.

Better cost management resulted to 3% lower operating expenses for the past three months compared to year ago figures. As a percentage to net sales, operating expenses decreased from 24% to 22% for the quarter versus year ago level.

Consequently, net income before tax for comparative three months periods on September 30, 2009 and 2008 increased by 72%. As a percentage of net sales, net income before tax increased from 5% to 8%. Meanwhile, net income margin, i.e. net income after tax as a percentage of net sales, increased from 4% to 6%.

Financial Condition

Liquidity has remained healthy with credit sales maintained at almost the same level from June 2009 to September 2009. This is in line with the 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 the Modern Trade business. Trade payable days have likewise remained at manageable levels.

In line with the Company's strategy to grow NCB and maintain its CSD market, the Company has continued its investment in the distribution infrastructure such as bottles and shell and powered coolers. It has recently completed the expansion projects in Cebu and San Fernando. It has also commenced expansion work in two other expansion projects.

Causes for Material Changes (+/-5% or more)

1. 18% increase in current assets is mainly due to increase in cash and cash equivalents by P254 million and inventory level by P168 million.
2. 4% increase in total assets is mainly due to increase in current assets by P411 million.
3. 30% increase in total current liabilities is mainly due to the declaration of P537.6 million dividends due for payment on October 29, 2009 and higher income tax payable by P118 million.
4. 5% decrease in non-current liabilities is due to the decrease in deferred tax liabilities by P33 million

Known Trends, Demands, or Uncertainties That May Affect Liquidity

The Company is not aware of any trend that may affect its liquidity. Refer to Note 9 of the Condensed Interim Financial Statements for a discussion of the Company's liquidity risk and financial risk management.

Events That May Trigger Direct or Contingent Obligations

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.

Off-Balance Sheet Transactions

To the Company's knowledge, there are no material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationship of the Corporation with unconsolidated entities or other persons created during the reporting period.

Material Commitments for Capital Expenditures

In January 2008, it had embarked on an IPO, with net proceeds of approximately ₱1.2 billion, to fund the expansion of NCB business. In addition to maintaining a level of ongoing capital expenditures broadly consistent with that incurred in recent periods, it expects to use the net proceeds received from the IPO offering to complete the remaining expansion projects lined up.

Trends or Uncertainties That May Impact Results of Operations

The Company's performance will continue to hinge on the overall performance of the Philippine economy, the natural seasonality of operations, and the competitive environment of the beverage market in the Philippines. Refer to Note 9 of the Condensed Interim Financial Statements for a discussion of the Company's Financial Risk Management.

Significant Elements of Income or Loss that Did not Arise from Continuing Operations

There were no significant elements of income or loss that did not arise from continuing operations.

Seasonality Aspects That May Affect Financial Conditions or Results of Operations

Please refer to Note 4 of the Condensed Interim Financial Statements for a discussion of the seasonality of the Company's operations.

Top Five Key Performance Indicators

The table below sets forth the comparative performance indicators of the Company.

	September 30, 2009	June 30, 2009
Current ratio[1]	0.88	0.98
Debt-to-equity ratio[2]	0.66:1	0.50:1

	For the three months period ending September 30, 2009 and 2008	
	2009	2008
Gross sales	P4.2 billion	P3.9 billion
Gross profit margin[3]	29%	29%
Net income margin[4]	6%	4%

[1] Current assets / current liabilities
[2] Total debt / total stockholders' equity
[3] Gross profit / net sales
[4] Net income / net sales

SIGNATURES

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 thereunto duly authorized.

Issuer: **Pepsi-Cola Products Philippines, Inc.**

By: P. Chakrabarti

Partha Chakrabarti
Senior Vice President and Chief Financial Officer

Date: November 12, 2009