COVER SHEET

1	6	0	9	6	8

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

(632) 887-37-74
Company Telephone Number

Month		Day		FORM TYPE	Annual Meeting
1	2	3	1	SEC Form 17-A	Last Friday of May

Month Day
Calendar Year

Month Date
Annual Meeting

Secondary License Type, If Applicable

M S R D
Dept. Requiring this Doc.

Amended Article Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
597	₱6.4billion	

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

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 2018**

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) 887-37-74**

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 [**x**] 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 [**x**] No [ ]

    (b) The Registrant has been subject to such filing requirements for the past ninety (90) days.
    Yes [**x**] 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 – ₱1,707 million as of February 28, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated in this report:

    (a) Statement of Management Responsibility attached as Exhibit I hereof;
    (b) December 31, 2018 Audited Financial Statements attached as Exhibit II 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 ("SEC") 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.

   On May 30, 2014, the SEC approved the amendment to the Company's Article of Incorporation, particularly on its primary purpose to also engage in the manufacturing, sale and distribution of snacks, food and food products.

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 (3) 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 (3) years.

(2) Business of Issue

a. Principal products

The Company is a licensed bottler of PepsiCo, Inc. ("PepsiCo"), Pepsi Lipton International Limited ("Pepsi Lipton"), and a licensed snacks appointee of The Concentrate Manufacturing Company of Ireland in the Philippines. It manufactures a range of carbonated soft drinks (CSD), non-carbonated beverages (NCB) and snacks that includes well-known brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, Mug, Gatorade, G-Active, Tropicana/Twister, Lipton, Sting, Propel, Milkis, Aquafina, Premier, Let's Be, Lay's and Cheetos.

	Calendar Year ended		
Net Sales	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Carbonated soft drinks	₱25,092	₱22,070	₱22,027
Non-carbonated beverages	8,303	7,968	8,134
Snacks	200	267	159
Total	₱33,595	₱30,305	₱30,320

Segment result*			
Carbonated soft drinks	₱4,294	₱5,329	₱5,061
Non-carbonated beverages	1,415	1,924	1,884
Snacks	2	20	(31)
Total	₱5,711	₱7,273	₱6,914

* 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 less than 0.05% of total net sales for the calendar years ended December 31, 2018, 2017 and 2016.

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).

The Company 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. 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

There is no publicly announced new product in 2018.

e. Competition

The Company competes in the ready-to-drink, non-alcoholic beverage and snacks 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 Asiawide Refreshments Corporation. 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 are major factors which influence the level of competition in the CSD market.

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 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 and, as approved by the Sugar Regulatory Agency on a limited basis, imports internationally. It purchases beverage concentrates mainly from Concentrates Manufacturing (Singapore) Pte Ltd, mix tea kit concentrates from Pepsi Lipton International and seasoning from Pepsi Cola International Cork (Ireland).

Another substantial cost is packaging. The major components of this expense are purchases of PET resins, and pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans and PET 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, negotiated and/or contracted prices.

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 various agreements, the Company is authorized to use brands and the associated trademarks owned by PepsiCo, Unilever N.V (in the case of the Lipton brand and trademarks) and Lotte Corporation. 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	August 26, 1997	September 28, 2023
PCPPI – Pepsi Cola Products Philippines, Inc. and Logo	August 26, 2008	September 17, 2019
Pepsi	March 6, 2014	July 10, 2024
Mirinda	May 22, 2013	January 9, 2024
Mountain Dew	April 03, 2009	October 02, 2019
Mountain Dew	June 5, 2000	October 30, 2024
7Up	February 26, 2007	November 5, 2027
Gatorade	November 27, 1992	June 29, 2025
Propel	August 23, 2002	January 17, 2025
Tropicana Twister	August 29, 2017	December 7, 2027
Tropicana	December 14, 1982	January 14, 2020
Tropicana	October 11, 2002	June 8, 2026
Sting Energy Drink	July 24, 2013	December 19, 2023
Sting	May 16, 2014	March 17, 2026
Lipton	March 27, 2014	November 7, 2024
Tropicana Coco Quench	January 12, 2012	July 19, 2022
Milkis**	September 21,2010	January 6, 2021
Let's Be**	September 21,2010	January 6, 2021
Nutriklim Sips Fun Milk Drink*	March 13, 2014	September 11, 2024
Premier*	January 12, 2016	July 7, 2026
Cheetos	February 4, 2002	June 25, 2026
Lay's	June 6, 2013	August 29, 2023

* Trademark owned by the Company
** Trademark owned by Lotte Corporation

The Company produces its products under licenses from PepsiCo, Pepsi Lipton and Lotte Corporation and depends upon them to provide concentrates and access to new products. Thus, if the 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 Notes 22 and 23 to the December 31, 2018 Audited Financial Statements for details of transactions with PepsiCo, Pepsi Lipton and Lotte Corporation.

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 as per FDA's validity period in accordance with applicable regulations. Any findings 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 or gaps that are material or that may materially affect the operation of each plant or all the plants as a whole.

The Company is registered as a Food Manufacturer/Processor and in certain plants has a Food Distributor/Exporter/Importer/Wholesaler license.

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, noise and hazardous wastes. 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 all local environmental laws and regulations. All plants are equipped with wastewater treatment plants and in some areas require air pollution control facilities.

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 ₱ nil, ₱54,060, and ₱189,553 for the calendar years ended December 31, 2018, 2017, and 2016 respectively.

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, Toxic and Hazardous and Nuclear Waste 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 P30 million in wastewater treatment and air pollution abatement, respectively, in its facilities.

n. Employees

As of December 31, 2018, the Company employed approximately 3,286 regular 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 thirteen (13) collective bargaining agreements, with the agreements covering 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, NCB and Snacks markets are 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, water and energy. The cost and supply of these materials could be adversely affected by changes in the world market prices or sources of sugar, crude oil, aluminum, tin, PET resins, other raw materials, transportation, water, and energy, and government regulation, 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 improve 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 Note 25 of the December 31, 2018 Audited Financial Statements for discussion on Financial Risk Management).

The Company was not aware of any event that resulted in a direct or contingent financial obligation as of December 31, 2018 that was 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 22 to the December 31, 2018 Audited Financial Statements for further information on the leases). Lease payments pertaining to these leased properties amounted to ₱199.9 million, ₱193.3 million, and ₱180.1 million for the years ended December 31, 2018, 2017, and 2016, respectively.

The Company owns all its bottling facilities located in Muntinlupa City, Sto.Tomas, Rosario, Pampanga, Naga, Cebu, Iloilo, Bacolod, Tanauan, Davao, Cagayan de Oro and Zamboanga and snacks facilities in Cabuyao, which 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, 2018 Audited Financial Statements, and the investments in shares of stocks disclosed in Note 7 to the December 31, 2018 Audited Financial Statements, the Company does not hold any other 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 and its lessors have a pending case which sought to enjoin the National Water Resources Board ("NWRB") from closing and sealing the Company's wells in Muntinlupa on the ground of alleged non-compliance with the requirements under Presidential Decree No. 1067, otherwise known as the Water Code, and its implementing rules and for the court to declare the rights of the Company under the Water Code. The case has been resolved duly by the Supreme Court. To date, certain officers of the Company are respondents to a case filed by NWRB on alleged violation of the Water Code. The case remains to be resolved and is pending resolution by the Department of Justice.

For a discussion of the Company's pending tax matter, please refer to Note 26(b) to the Audited Financial Statements for the year ended 31 December 2018.

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 11, 2018 included the election of Directors. The following were elected as members of the Board of Directors for the ensuing year (2018-2019):

Yongsang You
Younggoo Lee
Byoung Tak Hur
Yun Gie Park*
Praveen Someshwar**
Rizwan Qamar**
Samudra Bhattacharya
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)
* *Resigned effective August 10, 2018 and was replaced by Mr. Tae Hyeon Kim.*
** *Resigned effective August 10, 2018 and were replaced by Messrs. Mohammad Qasim Khan and Kaushik Gunakar Mitra.*

All of the above were incumbent Directors at the time of their election. 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 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009 are set out below.

Period	High	Low
July to Sept 2009	₱2.46	₱1.32
Oct to December 2009	₱2.50	₱2.00
Jan to March 2010	₱2.70	₱2.02
April to June 2010	₱3.05	₱2.46
July to September 2010	₱2.65	₱2.61
October to December 2010	₱2.95	₱2.50
Jan to March 2011	₱2.59	₱2.06
April to June 2011	₱2.56	₱2.21
July to Sept 2011	₱2.22	₱1.96
October to December 2011	₱2.50	₱2.10
Jan to March 2012	₱3.00	₱2.06
April to June 2012	₱2.89	₱2.50
July to Sept 2012	₱4.11	₱2.72
October to December 2012	₱6.61	₱4.00
Jan to March 2013	₱6.66	₱5.95
April to June 2013	₱6.42	₱5.07
July to Sept 2013	₱6.17	₱4.60
October to December 2013	₱5.02	₱4.00
Jan to March 2014	₱5.37	₱4.24
April to June 2014	₱5.25	₱4.50
July to Sept 2014	₱5.18	₱4.55
October to December 2014	₱4.88	₱3.87
Jan to March 2015	₱4.74	₱3.96
April to June 2015	₱4.91	₱4.02
July to Sept 2015	₱5.00	₱3.92
October to December 2015	₱4.52	₱3.60
Jan to March 2016	₱4.03	₱2.89
April to June 2016	₱3.88	₱3.29
July to Sept 2016	₱3.60	₱3.00
October to December 2016	₱3.47	₱2.90
Jan to March 2017	₱3.80	₱3.16
April to June 2017	₱4.09	₱3.06
July to Sept 2017	₱3.30	₱2.86
October to December 2017	₱3.04	₱2.12
Jan to March 2018	₱3.10	₱2.16
April to June 2018	₱2.93	₱2.18
July to Sept 2018	₱2.40	₱1.66
October to December 2018	₱1.85	₱1.29

The closing share price as of February 28, 2019 is ₱1.41.

Stockholders

The Company has approximately 597 holders of common shares as of February 28, 2019 [with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two (2) 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 February 28, 2019.

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CORPORATION	1,559,390,432	42.22%
2	PCD NOMINEE CORP. (NON-FILIPINO)	979,985,657	26.53%
3	QUAKER GLOBAL INVESTMENTS B.V.	923,443,071	25.00%
4	PCD NOMINEE CORP. (FILIPINO)	225,407,271	6.10%
5	BORROMEO, JOSEPH MARTIN H.	450,000	0.012%
6	YAN, LUCIO W.	300,000	0.008%
7	BLANCAVER, RENE B.	255,000	0.007%
8	MADARANG, WINEFREDA O.	250,000	0.007%
9	LUGTI, VALERIANO A.	150,000	0.004%
10	YU, FELIX S.	149,998	0.004%
11	IGNACIO, JUANITO R.	100,000	0.003%
12	UMALI, JOSE I.	100,000	0.003%
13	PINEDA, MA. CORAZON V.	100,000	0.003%
14	NARCISO, MA CELESTE S.	100,000	0.003%
15	DINO, ROSAURO P.	70,000	0.002%
16	TONGCUA, ROBERTO E.	70,000	0.002%
17	DUGURAN,CECILIA R.	60,000	0.002%
18	GOCE, ROBERTO H.	60,000	0.002%
19	SEBASTIAN, FELICITO C.	57,000	0.002%
20	CATUNGAL, MANUEL J.	53,000	0.001%

Cash Dividends

The Board of Directors approved several declarations of cash dividends amounting to ₱163 million in calendar year ended December 31, 2018, ₱255 million in calendar year ended December 31, 2017, and ₱244 million in calendar year ended December 31, 2016. 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	0.150	October 15, 2009	October 29, 2009
September 9, 2010	0.100	September 24, 2010	October 8, 2010
May 24, 2013	0.070	June 7, 2013	June 28, 2013
April 27, 2015	0.066	May 12, 2015	June 5, 2015
April 20, 2016	0.066	May 10, 2016	June 3, 2016
May 4, 2017	0.069	May 18, 2017	June 14, 2017
April 16, 2018	0.044	April 30, 2018	May 25, 2018

Dividend Policy

The Company has a dividend policy to declare dividends to stockholders of record, which are paid out of its unrestricted retained earnings. Any future dividends it pays will be at the discretion of the Board of Directors after taking into account the earnings, cash flows, financial position, loan covenants, capital and operating progress, and other factors as the Board of Directors may consider relevant. Subject to the foregoing, the policy is to pay up to 50% of the profit as dividends. This policy may be subject to future revision.

Cash dividends are subject to approval by the Board of Directors without need for stockholders' approval. Stock dividends require the further approval of the stockholders representing no less than 2/3 of the Company'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.

PART III – FINANCIAL INFORMATION

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

RESULTS OF OPERATIONS

December 31, 2018 versus December 31, 2017

Q4 posted Gross Sales of P10.4 billion, a 14% growth versus the same period last year on account of the excise-driven price increase at the beginning of 2018.

Gross margin improved versus previous quarter by 81bps mainly from productivity improvements, delivering Gross Profit of P1.6 billion.

Excluding one-off charges related to the implementation of TRAIN and which were booked in Q4 2017, Operating Expenses for the quarter is largely in line with prior year even with inflationary pressures during the period.

Year-To-Date, Gross Sales reached P38.4 billion, increasing 7% from prior year.

The company spent P2 billion in capital expenditure in 2018 for operating necessities and for future growth.

December 31, 2017 versus December 31, 2016

Fourth quarter gross sales was at P9.1 billion, posting a growth of 1% from the same period last year. The back end of 2017 saw the recovery of the Beverage category from the slowdown in the first half on account of the 2016 elections overlap and Mindanao unrest. Snacks also contributed to growth with sales surging ahead by 50% from last year driven by distribution gains. Full year 2017 gross sales closed at P35.9 billion, in line with a strong prior year 2016.

Fourth quarter cost of goods sold improved versus the same period last year driven by lower commodities and productivity initiatives. This has contributed to the 14% growth in gross profit and improvement in gross margin of 278bps in the quarter. On a full year basis, gross profit grew 5% and registered margin improvement of 119 bps versus last year.

Operating expenses increased 39% in the fourth quarter as the company booked one-time charges with the implementation of the tax on sweetened beverages as part of the Tax Reform for Acceleration and Inclusion (TRAIN) in 2018. Full-year, operating expenses increased 13% over prior year given the same. Excluding one-time charges, normalized full-year operating expenses increased 6% partially on account of inflation.

With the above, the fourth quarter posted a loss of P118 million. On a full year basis, net income is at P541 million, a decline of 37% from last year. Excluding one-time charges, normalized fourth quarter net income is 49% ahead of prior year while normalized full year net income declined 3%.

On a full-year basis, the Company's capital expenditure amounted to P3.6 billion as it continues to invest in capacity and containers.

December 31, 2016 versus December 31, 2015

Full-year 2016 sales revenue stands at P35.8 billion representing year-on-year growth of 11% owing to Management's strong focus on revenue management, new product initiatives and portfolio mix improvements. Fourth quarter results contributed P9.1 billion translating to growth of 8% versus same period last year.

Full-year cost of goods sold is up by 12% driven primarily by sharp increase in sugar prices. Higher productivity versus last year, however, helped to partially mitigate the effects of sugar. Fourth quarter cost of goods, in comparison, is only up 4% reflecting softening in sugar prices during this period. 2016 gross profit stands at P6.9 billion, or +8% year-on-year. Gross profit for fourth quarter contributed P1.7 billion, or +15% year-on-year, improving gross margin by 171 bps.

Operating expenses for full year accelerated by +8% vs year ago and +12% in the fourth quarter. It improved by 54 bps on full year.

Capex investments amounting to P3.7 billion were made in 2016 to drive distribution and marketing expansion, as well as, to acquire manufacturing assets to build capability.

All in all, despite high sugar prices, 2016 net income stands at P0.9 billion which is +5% vs year ago and +11% vs year ago for fourth quarter. Excluding Snacks start-up losses, net income improved by +20% for full year.

Meanwhile, the Company continues to expand the footprint of its Snacks portfolio by growing its distribution footprint to entire Luzon.

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 25 to the December 31, 2018 Audited Financial Statements for a detailed discussion on the Company's revolving credit facilities as of December 31, 2018).

Credit sales over the past three years have remained at the level of 50% to 60% 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 45 to 68 days, while, inventory days were at 4 to 22 days for the past three years. Trade payable days have remained at manageable levels.

Increase in current assets from ₱6,252 million as of December 31, 2017 to ₱8,980 million as of December 31, 2018 were due to increases in cash of ₱50 million, receivables of ₱138 million, and inventories of ₱2,555 million, and decreases in prepaid expenses and other current assets of ₱3 million and due from related parties of ₱13 million.

Noncurrent assets decreased from ₱17,893 million as of December 31, 2017 to ₱17,193 million as of December 31, 2018 due to decreases in bottles and cases of ₱529 million, net property, plant and equipment of ₱101 million, deferred tax assets of ₱10 million, and other noncurrent assets of ₱76 million, and increases in investment in associates of ₱17 million.

Decrease in current liabilities from ₱11,874 million as of December 31, 2017 to ₱11,026 million as of December 31, 2018 due to decreases in short-term debt of ₱2,100 million and income tax payable of ₱33 million, and increases in long-term debt current portion of ₱197 million, and accounts payable & accrued expenses of ₱1,089 million,

Noncurrent Liabilities increased from ₱2,825 million as of December 31, 2017 to ₱5,988 million as of December 31, 2018 due to increases in long-term debt of ₱3,479 million and decreases in deferred tax liabilities of ₱ 173 million and other noncurrent liabilities of ₱143 million.

Total assets increased from ₱24,144 million as of December 31, 2017 to ₱26,173 million as of December 31, 2018 mainly due to general increases in assets as discussed above. Total liabilities increased from ₱14,699 million as of December 31, 2017 to ₱17,014 million as of December 31, 2018 mainly due to general increases in payables as stated above.

Total equity decreased from ₱9,445 million to ₱9,159 million on account of total comprehensive loss of ₱124 million and a dividend payment of ₱163 million in 2018.

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.

		2018	2017
Current ratio	Current assets over current liabilities	0.8:1	0.5:1
Solvency ratio	Profit plus depreciation and amortization over total liabilities	0.1:1	0.2:1
Bank debt-to-equity ratio	Bank debt over total equity	0.7:1	0.5:1
Asset-to-equity ratio	Total assets over equity	2.9:1	2.6:1
Operating margin	Operating profit over net sales	-0.4%	2.8%
Net profit margin	Net profit over net sales	-0.6%	1.8%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	0.05:1	6.6:1

Current ratio increased due to increases in assets. The changes in solvency, debt-to-equity and asset-to-equity ratios were mainly due to decreases in net income and increases in total assets and total liabilities. The changes in operating margin, net profit margin and interest rate coverage ratios were attributable to the decreases in operating income and net income.

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Company has ongoing definite corporate expansion projects approved by the Board of Directors. As a result of this expansion program, the Company spent for property, plant and equipment as well as bottles and shells amounting to ₱1,976 million, ₱3,687 million, and ₱3,658 million, for the years ended December 31, 2018, 2017, and 2016, respectively. 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 Part 1 Item (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 II hereof for the December 31, 2018 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 R. G. Manabat & Co. as its independent CPA for the audit of its financial statements for the calendar year ended December 31, 2018.

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 for the calendar year ended December 31 are summarized as follows:

	2018	2017	2016
Statutory audit fees	₱4.65 million	₱4.45 million	₱4.32 million
Tax advice fees	2.65 million	6.05 million	1.20 million
Total	₱7.3 million	₱10.5 million	₱5.52 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

As of February 28, 2019, 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
Yongsang You	50	Korean	2015
Samudra Bhattacharya	47	Indian	2017
Younggoo Lee	56	Korean	2017
Byoung Tak Hur	56	Korean	2012
Tae Hyeon Kim*	53	Korean	2018
Mohammad Qasim Khan**	61	Chinese	2018
Kaushik Gunakar Mitra**	50	Indian	2018
Rafael M. Alunan III (Independent Director)	70	Filipino	2007
Oscar S. Reyes (Independent Director)	72	Filipino	2007

** Replaced Mr. Yun Gie Park who resigned effective August 10, 2018.*

*** Replaced Messrs. Praveen Someshwar and Rizwan Qamar who resigned effective August 10, 2018.*

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
Yongsang You	50	Korean	Chief Executive Officer	2015
Samudra Bhattacharya	47	Indian	President	2017
Khaled Mahmoud Mahmoud Metwalli*	45	Egyptian	Senior Vice-President and Chief Financial Officer/ Chief Audit Executive	2019
Domingo F. Almazan	64	Filipino	Senior Vice-President, National Sales	2014
Allan A. Frias II	44	Filipino	Senior Vice-President, Operations	2014

Name	Age	Citizenship	Position	Year Position was Assumed
Ma. Vivian A. Cheong	51	Filipino	Senior Vice-President, Human Resources	2016
Young Duk Kang	39	Korean	Senior Vice-President/Chief Strategy Officer	2017
Samuel M. Dalisay, Jr.	59	Filipino	Vice-President, Supply Chain	2011
Lope R. Manuel, Jr.	41	Filipino	Vice-President, Legal and Government Affairs/ Compliance Officer/ Data Protection Officer	2016 2017 2017
Kristine Ninotschka L. Evangelista	45	Filipino	Corporate Secretary	2018
Camille Maria L. Castolo	30	Filipino	Assistant Corporate Secretary	2018

* Elected as Senior Vice President/Chief Financial Officer and Chief Audit Executive effective February 1, 2019.

Background Information and Business Experience

Directors:

YONGSANG YOU
Mr. You is an Executive Director and is the incumbent CEO of the Company. Previously, he held a number of positions in Lotte Chilsung Beverage Co., Ltd. which included being the General Manager and Head of the Overseas Business Division, General Manager of Sales Headquarters and Business Management, and Head of Strategic Planning Department and Purchasing Department. Mr. You holds a Bachelor of Arts degree in Business Administration from Seongsil University.

SAMUDRA BHATTACHARYA
Mr. Bhattacharya is an Executive Director and is the incumbent President of the Company. Prior to this appointment, he assumed various roles in PepsiCo in India, the most recent of which was as Vice-President and General Manager of India Franchise Commercial Unit where he led the outstanding engagements with PepsiCo's franchise partners across parts of India, Bangladesh, Sri Lanka, Bhutan and Nepal. He also served in key Sales roles in which he developed and implemented sales and capability strategies across all channels and led the commercialization of PepsiCo's first snacks franchise operations in Bangladesh. Mr. Bhattacharya holds a Master's degree in Business Administration from the Indian Institute of Management at Lucknow.

YOUNGGOO LEE
Mr. Lee is a non-Executive Director of the Company. He is currently the CEO of Lotte Chilsung Beverage Co., Ltd. in South Korea. Since joining Lotte group in 1987, Mr. Lee has held numerous positions in various Lotte companies including Lotte Aluminum Co., Ltd., Lotte Confectionery Co., Ltd., and Lotte Corporate Headquarters. Prior to his current post, Mr. Lee was the Executive Director of Sales and Marketing of Lotte Chilsung Beverage. Mr. Lee holds an Industrial Engineering degree from Seongsil University.

BYOUNG TAK HUR
Mr. Hur is a non-Executive Director of the Company. He is currently the CEO of Lotte MGS Beverage Co., Ltd. in Myanmar. His past work experience in Lotte Chilsung Beverage Co., Ltd. included being Director of the Overseas Business Division, General Manager of the Overseas Business team, and Manager for the Overseas Sales and Information & Strategy departments. He was also previously connected with the Lotte Foundation.

TAE HYEON KIM

Mr. Kim is a non-Executive Director of the Company. He is currently the Director of the Global Business Division of Lotte Chilsung Beverage Co., Ltd. in South Korea. From the time he joined the Lotte group in 1992, he has occupied various positions in Lotte Chilsung Beverage, such as Director of the Purchasing Department, Manager of the Audit & Strategy and Senior Assistance of the Corporate Audit & Strategy departments. He also previously worked in the Lotte Corporate Headquarters as Manager of the Corporate Audit & Strategy department.

MOHAMMAD QASIM KHAN

Mr. Khan is a non-Executive Director of the Company. He is currently the Senior Vice President, Franchise Operations for Asia, Middle East and Africa, reporting to AMENA Sector CEO. He has been with the company since 1986, serving diverse roles in Australia, New Zealand, Vietnam, Malaysia, Singapore, Thailand and the Pacific Islands. Prior to PepsiCo, Mr. Khan worked for Procter & Gamble based in Geneva, Switzerland, where he was responsible for the Arabian Gulf markets. Mr. Khan has an MBA in Marketing from the USA.

KAUSHIK GUNAKAR MITRA

Mr. Mitra is a non-Executive Director of the Company. He is currently the Vice-President and CFO of PepsiCo's India Business Unit. Over the past sixteen (16) years he has worked in seven (7) different roles in PepsiCo across its foods and beverage operating businesses in India, Planning and Strategy in Asia Middle East Africa Sector based in Dubai, in a Joint venture business with Suntory in Vietnam and now as PepsiCo Asia Pacific Region CFO based out of Hong Kong. Prior to PepsiCo, he also worked with GE, Reckitt Benckiser and the Tata Group in India. Mr. Mitra is a Chartered Accountant and MBA from the Indian Institute of Management Kolkata.

RAFAEL M. ALUNAN III

Mr. Alunan is an Independent Director and is the incumbent Chairman of the Audit Committee, Nomination Committee, and Compensation and Remuneration Committee of the Company. He has had extensive experience in the private and public sectors. He sits on the Boards of the Philippine Council for Foreign Relations, Inc., Rafael Alunan Agri-Development, Inc., La Herencia Homeowners Association and Sangley Airport Infrastructure Group, Inc. Mr. Alunan sits in the Council of Eminent Fellows of the Development Academy of the Philippines. He chairs the National Security Committee of the Philippine Council for Foreign Relations; President of the Philippine Taekwondo Association Foundation; and Chairman of the Harvard Kennedy School of Government Alumni Association of the Philippines, Inc. He is a regular columnist of BusinessWorld and hosts a TV-Radio-Internet show "Thinking Out Loud with Raffy Alunan" in DZRH. He produced the documentary "Tagaligtas" on the Special Action Force of the Philippine National Police, and co-authored the book "Silver Linings." He holds the rank of Colonel in the Armed Forces of the Philippines. 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 and an Executive Education Certificate from Harvard Kennedy School of Government.

OSCAR S. REYES

Mr. Reyes is an Independent Director and is the incumbent Chairman of the Board of Directors of the Company. His other positions are: member of the Advisory Board of the PLDT, Inc. and of the Council of Advisors of the Bank of the Philippine Islands, member of the Board of Directors of Basic Energy Corporation, Cosco Capital Inc., Manila Water Co., PLDT Communications and Energy Ventures, Inc., and Sun Life Financial Phils., Inc., among other firms. He is a Director of Manila Electric Company where he also holds the position of President and Chief Executive Officer. He is also Co Chairman of Meralco PowerGen Corporation and Chairman of Meralco Industrial Engineering Services Corporation (MIESCOR), CIS Bayad Center, Meralco Energy, Inc. (MEI), MRail, Inc. Redondo Peninsula Energy, Inc., Spectrum Inc., PacificLight Pte. Ltd., and Atimonan One Energy Inc. He is a member of the Board of Trustees of One Meralco Foundation, Inc., Pilipinas Shell Foundation, Inc., SGV Foundation, Inc. and El Nido Foundation, Inc. Mr. Reyes served as 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. He completed his Bachelor of Arts degree in Economics at the Ateneo de Manila University in 1965

(Cum Laude) and did post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Executive Officers:

KHALED MAHMOUD MAHMOUD METWALLI

Mr. Metwalli 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 is also the Company's Chief Audit Executive. He is a fifteen (15)-year veteran with PepsiCo. Khaled started as a Planning Manager in 2003 and has since grown into higher roles and bigger responsibilities in both beverage and snacks businesses to eventually become the Finance Lead and CFO for the North East Africa BU. Prior to joining PepsiCo, he worked for Procter and Gamble and Citibank Egypt. Khaled is a graduate of the faculty of Commerce major in Accounting with an Honors Degree at Cairo University in Egypt.

DOMINGO F. ALMAZAN

Mr. Almazan is currently the Company's Senior Vice-President for National Sales. He has been with the Company for almost twenty-two (22) years and, during this period, assumed various positions in the Company, the last being Vice-President-Senior General Manager of Luzon 1 covering Metro, STRO and Naga. Prior to joining the Company, Mr. Almazan held various positions in Coca-Cola Bottlers Philippines, Inc. He holds a Bachelor of Science degree in Customs Administration from the Philippine Maritime Institute.

ALLAN A. FRIAS II

Mr. Frias is currently the Company's Senior Vice-President for Operations. Prior to joining the Company, he worked for more than six (6) years in Mondelēz Philippines Inc. assuming various roles in its Sucat plant, the last being Plant Manager. Before that, he worked for Coca-Cola Bottlers Philippines, Inc. for ten (10) years from 1997 until 2007 when he held the position of Plant Manufacturing Manager of its Naga Plant. Mr. Frias holds a Bachelor of Science degree in Industrial Engineering from the University of Santo Tomas.

MA. VIVIAN A. CHEONG

Ms. Cheong is currently the Company's Senior Vice-President for Human Resources. Prior to joining the Company, she was the Head of Organization Development and Change Management of Meralco. Prior to Meralco, she was the HR Director of Mead Johnson Nutrition for the Philippines and Vietnam, and before that, was the HR Head of Bristol-Myers Squibb Philippines. She holds a Master's degree in Industrial Relations, Major in Human Resources Development from the University of the Philippines and a Bachelor of Arts in Behavioral Science degree from the University of Sto. Tomas.

YOUNG DUK KANG

Mr. Kang is currently the Company's Senior Vice-President/Chief Strategy Officer. Prior to this appointment, he was the Company's Vice-President for Treasury & Lotte HQ Reporting since April 2014. Previously, he worked in Lotte Chilsung Beverage Co., Ltd. as Manager of the Overseas Business Team. Mr. Kang holds a Bachelor of English Language & Literature and International Trade degree from KonKuk University.

SAMUEL M. DALISAY, JR.

Mr. Dalisay is currently the Company's Vice President for the 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 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.

LOPE R. MANUEL JR.
Mr. Manuel is currently the Company's Vice President for Legal and Government Affairs. He is also the Company's Compliance Officer and Data Protection Officer. Prior to joining the Company, he headed Corporate Relations in Diageo Philippines, Inc., and before that, worked in the Intellectual Property Office of the Philippines. He obtained his law degree from the San Beda College of Law, and Masters of Law from the international consortium program of Chulalongkorn University, Kyushu University, Victoria University and British Columbia University.

KRISTINE NINOTSCHKA L. EVANGELISTA
Ms. Evangelista is the Corporate Secretary of the Company. A partner at Gatmaytan Yap Patacsil Gutierrez & Protacio, also known as C&G Law, she was elected as Corporate Secretary of the Company in August 2018. She started her legal career in 1999 as an associate at SyCip Salazar Hernandez & Gatmaitan. In 2008, she joined Holcim Philippines as Senior Legal Counsel, and served as its General Counsel and Corporate Secretary from 2014 until 2017. She holds a Bachelor of Science degree, major in Legal Management, and a Juris Doctor degree from the Ateneo de Manila University.

CAMILLE MARIA L. CASTOLO
Ms. Castolo was elected as the Assistant Corporate Secretary of the Company in December 2018. She is currently a Senior Associate at C&G Law. Prior to joining C&G Law, she was an associate at SyCip Salazar Hernandez & Gatmaitan. She holds a Bachelor of Science degree, major in Legal Management, and a Juris Doctor degree from the Ateneo de Manila University.

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 with the Company on any matter relating to the Company's operations, policies or practices.

Significant Employees and Family Relationships
No single person is expected to make an indispensable 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, except as disclosed in Item 3 on Legal Proceedings.

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, 2018, 2017 and 2016, and estimated to be paid for the ensuing calendar year December 31, 2018 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 2016 CY 2017 CY 2018 CY 2019 (Estimate)	50,230,473 57,397,818 64,117,461 68,307,841	6,889,562 10,037,017 5,315,443 5,743,775	477,356 525,092 947,681 469,356
All other directors and officers as a group unnamed	CY 2016 CY 2017 CY 2018 CY 2019 (Estimate)	22,658,513 23,831,999 21,820,673 24,302,255	4,907,503 3,616,246 1,796,718 2,060,207	3,942,225 3,595,499 4,287,783 4,930,256

The following are the five highest compensated directors and/or officers of the Company who were serving as Executive Officers at the end of the last completed fiscal year:

- Yongsang You – Chief Executive Officer
- Samudra Bhattacharya– President
- Domingo F. Almazan – Senior Vice-President, National Sales
- Allan A. Frias II – Senior Vice-President, Operations
- Ma. Vivian A. Cheong – Senior Vice-President, Human Resources (effective from August 1, 2016)

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 ₱120,000 for each such attendance) as well as for committee meetings, except for Audit Committee meetings where the per diem allowance is ₱100,000. In addition, each Director is entitled to receive an annual directors' fee in the amount of Five Hundred Thousand Pesos (₱500,000.00). The seven (7) Directors representing the Lotte Corporation 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 February 28, 2019

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 Corporation[1] Lotte World Tower, 300 Olympic-ro, Songpa-gu, Seoul, 05551, South Korea Relationship – Stockholder	Same as indicated in column 2	Korean	1,559,390,432	42.22%
Common shares	PCD Nominee Corporation (Non-Filipino)[2] 37th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Non-Filipino	979,985,657	26.53%
Common shares	Quaker Global Investments B.V.[3] Zonnebaan 35, 3542 EB Utrecht The Netherlands Relationship – Stockholder	Same as indicated in column 2	Dutch	923,443,071	25.00%
Common shares	PCD Nominee Corporation (Filipino)[4] 37th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Filipino	225,407,271	6.10%

[1] Lotte Corporation ("Lotte") is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at Lotte World Tower, 300 Olympic-ro, Songpa-gu, Seoul, 05551, South Korea.

[2] 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 Company'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.

[3] 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, 3542 EB Utrecht, The Netherlands.

[4] Same as footnote 2 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 February 28, 2019

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 12th Floor Lopez Building, Ortigas Avenue, Pasig City	1*	Filipino	Nil
Common shares	Yongsang You Chief Executive Officer c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Korean	Nil
Common shares	Samudra Bhattacharya President c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Indian	Nil
Common shares	Younggoo 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	Byoung Tak Hur Non-Executive Director c/o LOTTE MGS Beverage Bldg., 7/8 Bahosi Yeik Thar, Bogyoke Street, Yangon, Myanmar	1*	Korean	Nil
Common shares	Mohammad Qasim Khan Non-Executive Director c/o 22nd Floor, Emporium Tower, 622 Sukhumvit Road, Klongton, Klontoey, Bangkok, Thailand	1*	Chinese	Nil
Common shares	Kaushik Gunakar Mitra Non-Executive Director c/o Suites 1703-8, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Tae Hyeon Kim Non-Executive Director c/o 15/F World Tower BD, 558 Songpa- daero, Songpa-Gu Seoul, Korea 05510	1*	Korean	Nil
Common shares	Rafael M. Alunan III Independent Director No.63 9th Street, New Manila, Quezon City	1*	Filipino	Nil
Common shares	Khaled Mahmoud Mahmoud Metwalli Senior Vice-President and Chief Financial Officer / Chief Audit Executive c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Egyptian	0%
Common shares	Domingo F. Almazan Senior Vice-President, National Sales c/o Km. 29 National Road, Tunasan, Muntinlupa City	50,000 Direct ownership	Filipino	0.0014%
Common shares	Allan A. Frias II Senior Vice-President, Operations c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common shares	Ma. Vivian A. Cheong Senior Vice-President, Human Resources c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Young Duk Kang Senior Vice-President/Chief Strategy Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Korean	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	Lope R. Manuel, Jr. Vice-President, Legal and Government Affairs / Compliance Officer / Data Protection Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Kristine Ninotschka L. Evangelista Corporate Secretary c/o 30/F 88 Corporate Center, Sedeño corner Valero Streets, Salcedo Village, Makati City	0	Filipino	0%
Common shares	Camille Maria L. Castolo Assistant Corporate Secretary c/o 30/F 88 Corporate Center, Sedeño corner Valero Streets, Salcedo Village, Makati City	0	Filipino	0%

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

The aggregate shareholdings of directors and key officers as of February 28, 2019 are 50,009 shares which is approximately 0.0014% 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 22 to the December 31, 2018 Audited Financial Statements for details on related party transactions.

PART IV – <u>EXHIBITS AND SCHEDULES</u>

The following are the reports on SEC Form 17-C, as amended, which were filed during the period of June 1, 2018 to February 28, 2019:

a. SEC FORM 17-C dated June 21, 2018

The Company confirmed that despite its due observance of environmental laws and rules, the National Water Resources Board closed the Company's deep wells in its Muntinlupa plant and imposed a fine amounting to ₱11.8 Million.

b. SEC FORM 17-C dated July 24, 2018

The Company changed the following corporate contact details and website effective July 24, 2018:

<u>Old Contact Details:</u>
Telephone Nos.: (02) 865-6297 / (02) 750-9687
Facsimile Nos.: (02) 850-7928/ (02) 750-0498
E-mail Address: partho.chakrabarti@pcppi.com.ph

<u>New Contact Details:</u>
Telephone No.: (02) 887-3774
Facsimile No.: (02) 459-5391
E-mail Address: imran.moid@pcppi.com.ph

<u>Old Website:</u> http://www.pepsiphilippines.com/
<u>New Website:</u> https://www.pepsiphilippines.com/

c. SEC FORM 17-C dated August 10, 2018

At the Special Meeting of the Board of Directors of the company held on August 10, 2018, the Board approved the following:

i. Acceptance of the resignation from the Board of Mr. Yun Gie Park effective immediately and election of Mr. Tae Hyeon Kim as Director replacing Mr. Park;

ii. Acceptance of the resignation from the Board of Messrs. Praveen Someshwar and Rizwan Qamar effective immediately and election of Messrs. Mohammad Qasim Khan and Kaushik Gunakar Mitra as Directors replacing Messrs. Someshwar and Qamar; and

iii. Acceptance of the resignation of Ms. Ma. Rosario C.Z. Nava as Corporate Secretary effective at the close of business on 31 August 2018 and appointment of Ms. Kristine N.L. Evangelista as the new Corporate Secretary replacing Ms. Nava effective 1 September 2018.

d. SEC FORM 17-C dated September 4, 2018

The Company changed the following contact information on the said date effective September 3, 2018:

<u>Old Contact:</u>
Telephone Nos.: (02) 887-3774
Facsimile Nos.: (02) 459-5391
E-mail Address: imran.moid@pcppi.com.ph

<u>New Contact:</u>
Telephone No.: (02) 887-3774
Facsimile No.: (02) 459-5391
E-mail Address: connect@pcppi.com.ph

e. SEC FORM 17-C dated September 13, 2018

At the Regular Meeting of the Board of Directors held on September 13, 2018, Mr. Mohammad Qasim Kahn was appointed as a member of the Audit Committee.

f. SEC FORM 17-C dated November 29, 2018

At the Special Meeting of the Board of Directors held on November 29, 2018, Mr. Kaushik Gunakar Mitra was appointed as a member of the Compensation and Remuneration Committee.

g. SEC FORM 17-C dated December 6, 2018

At the Special Meeting of the Board of Directors held on December 6, 2018, Ms. Camille Maria L. Castolo was appointed as Assistant Corporate Secretary.

h. SEC FORM 17-C dated January 9, 2019

At the Special Meeting of the Board of Directors held on January 9, 2019, the Board accepted the resignation of Mr. Imran Moid as the Company's Senior Vice President/Chief Financial Officer and Chief Audit Executive effective 1 February 2019 and elected Mr. Khaled Metwalli as Mr. Moid's replacement.

PART V – SIGNATORIES

The following are the authorized signatories of the Company:

1. Yongsang You in his capacity as the Chief Executive Officer. Said position is the Company's equivalent position for principal executive officer.

2. Samudra Bhattacharya in his capacity as the President. Said position is the Company's equivalent position for principal operating officer.

3. Khaled Mahmoud Mahmoud Metwalli in his capacity as the Senior Vice-President, Chief Financial Officer, and Chief Audit Executive. Said position is the Company's equivalent position for principal financial officer.

4. Agustin S. Sarmiento in his capacity as Assistant Vice-President - Tax & Reporting and Chief Risk Officer of the Company. Said position is the Company's equivalent position for comptroller and principal accounting officer.

5. Kristine Ninotschka L. Evangelista 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 CITY OF MUNTINLUPA on APR 10 2019.

By:

YONGSANG YOU
Chief Executive Officer

SAMUDRA BHATTACHARYA
President

KHALED MAHMOUD MAHMOUD METWALLI
Senior Vice-President,
Chief Financial Officer and
Chief Audit Executive

AGUSTIN S. SARMIENTO
Assistant Vice-President –
Tax & Reporting and
Chief Risk Officer

KRISTINE NINOTSCHKA L. EVANGELISTA
Corporate Secretary

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

SUBSCRIBED AND SWORN TO before me in the City of CITY OF MUNTINLUPA on APR 10 2019 by:

Name	**Competent Evidence of Identity**	**Valid Until/Place Issued**
Yongsang You	Passport No. M55826461	December 28, 2021 / Korea
Samudra Bhattacharya	Passport No. Z4212862	June 26, 2027 / Manila
Khaled Mahmoud Mahmoud Metwalli	Passport No. A10524188	September 11, 2020 / Egypt
Agustin S. Sarmiento	SSS No. 33-2456012-6	
Kristine Ninotschka L. Evangelista	Passport No. P5177855A	November 28, 2022 / DFA Cagayan de Oro

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

MEYNARD R. JOB
Notary Public for Muntinlupa City
Notarial Commission No. 19-003
Until December 31, 2020
PTR No. 3244564 / Jan. 03, 2019 / Muntinlupa City
IBP Lifetime No. 1010271
Roll No. 49786 / PPLM
MCLE No. V-0021180 / April 14, 2016
2731-C Bruger Street, Bruger Subdivision,
Putatan, Muntinlupa City

Doc. No. 91
Page No. 26
Book No. VII
Series of 2019.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 0 9 6 8

COMPANY NAME

P E P S I - C O L A P R O D U C T S
P H I L I P P I N E S , I N C .

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

K m . 2 9 , N a t i o n a l R o a d
T u n a s a n , M u n t i n l u p a C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
597	May	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Khaled Mahmoud Mahmoud Metwalli	khaled.metwalli@pcppi.com.ph	887-3774	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road, Tunasan, Muntinlupa City, 1773 Philippines
Tel.: (632) 88-PEPSI(73774) • www.pepsiphilippines.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Pepsi-Cola Products Philippines, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at **December 31, 2018 and 2017** and for each of the three years in the period ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the Stockholders.

R. G. Manabat & Co., the independent auditor appointed by the Stockholders, has audited 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 audit.

OSCAR S. REYES
Chairman of the Board

YONGSANG YOU
Chief Executive Officer

SAMUDRA BHATTACHARYA
President

KHALED MAHMOUD MAHMOUD METWALLI
Senior Vice-President,
Chief Financial Officer and
Chief Audit Executive

Signed this 28th day of March 2019

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

SUBSCRIBED AND SWORN TO before me in the City of CITY OF MUNTINLUPA on APR 10 2019 by:

Name	**Competent Evidence of Identity**	**Valid Until**
Oscar S. Reyes	Passport No. P5302920A	Dec 10, 2022 / Manila
Yongsang You	Passport No. M55826461	Dec 28, 2021 / Korea
Samudra Bhattacharya	Passport No. Z4212862	June 26, 2027 / Manila
Khaled Mahmoud Mahmoud Metwalli	Passport No. A10524188	September 11, 2020 / Egypt

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. 92
Page No. 20
Book No. VII
Series of 2019.

MEYNARD R. JOB
Notary Public for Muntinlupa City
Notarial Commission No. 19-003
Until December 31, 2020
PTR No. 3244564 / Jan. 03, 2019 / Muntinlupa City
IBP Lifetime No. 1010271
Roll No. 40786 / PPLM
MCLE No. V-0021180 / April 14, 2016
2731-C Bruger Street, Bruger Subdivision,
Putatan, Muntinlupa City

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for Pepsi-Cola Products Philippines, Inc. for the year ended December 31, 2018.

In discharging the responsibility, I hereby declare that I am the Assistant Vice-President - Tax and Reporting of Pepsi-Cola Products Philippines, Inc.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of R.G. Manabat & Co. which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

AGUSTIN S. SARMIENTO
Professional Identification Card No. 0091724
Valid until: February 22, 2022

Accreditation No. 5531
Valid until February 22, 2020

SUBSCRIBED AND SWORN to before me this APR 10 2019 in this City of Muntinlupa by AFFIANT who has satisfactorily proven his/her identity to me through his/her UMID: CRN-0033-2456012-6, that he/she is the same person who personally signed the foregoing CERTIFICATION before me and acknowledged that he/she executed the same.

MEYNARD R. JOB
NOTARY PUBLIC
Notary Public for Muntinlupa City
Notarial Commission No. 19-003
Until December 31, 2020
PTR No. 3244564 / Jan. 03, 2019 / Muntinlupa City
IBP Lifetime No. 1010271
Roll No. 49786 / PPLM
MCLE No. V-0021180 / April 14, 2016
2731-C Bruger Street, Bruger Subdivision,
Putatan, Muntinlupa City

Doc. No. 93
Page No. 20
Book No. VII
Series of 2019

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FINANCIAL STATEMENTS
December 31, 2018, 2017 and 2016

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the financial statements of Pepsi-Cola Products Philippines, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2018, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

The Company's accounting policy with respect to revenue recognition is included in Note 3, Significant Accounting Policies, to the financial statements.

The risk: The nature of the Company's selling and distribution system, the high volume of products, its geographical locations, and various stakeholders' expectations pose a risk that the Company may recognize certain revenue from sale of goods at or near the year-end without meeting all the required recognition criteria and conditions under Philippine Financial Reporting Standard (PFRS) 15, *Revenue from Contracts with Customers.*

Our response: Our audit procedures included, among others: assessment of the design and effectiveness of controls in respect of revenue; identifying and testing the Company's key revenue controls in selected locations with detailed testing of transactions; assessment of whether the Company's revenue recognition policy in place complies with PFRS15 and ensuring its consistent application; performing sales cut-off procedures prior to and post year-end; and testing of credit memos issued after year-end. In addition, we evaluated the reasonableness of revenues by developing an expectation of the current year balance based on trend analysis, taking into account historical monthly sales data and circumstances in the current year. We also tested a sample of manual journal entries to identify unusual or irregular items.

Provisioning

The Company's accounting policies with respect to provisions is included in Note 3, Significant Accounting Policies, to the financial statements.

The risk: The Company is subject of a disputed assessment for deficiency taxes for the taxable periods in 2010. The Company appealed this assessment to the Court of Tax Appeals, for which on-going proceedings are being conducted. The Company applied judgment when determining whether to provide, and how much to provide for these tax matters. The magnitude of potential exposures and the inherent uncertainty of the case and judgment involved in determining whether to make additional provisions and disclosures pose a risk on the appropriate recognition of provisions under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

Our response: Our audit procedures included assessment of the design and implementation of controls around the recognition and continuous re-assessment of tax provisions. With the assistance of our tax specialists, we assessed the Company's tax positions, its correspondence with the relevant tax authorities and its external tax advisors, assessed assumptions used to determine tax provisions and inspected relevant supporting documentation through audit sampling. In addition, we obtained formal confirmation from the Company's legal counsel. We also considered the adequacy of the Company's disclosures in the financial statements with respect to these proceedings.

KPMG

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Vernilo G. Yu.

R.G. MANABAT & CO.

VERNILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-35-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333641
Issued January 3, 2019 at Makati City

March 28, 2019
Makati City, Metro Manila

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		December 31	
	Note	**2018**	2017
ASSETS			
Current Assets			
Cash	*4, 25*	**P548,598**	P498,352
Receivables - net	*5, 23, 25*	**2,542,413**	2,404,681
Inventories	*6*	**5,039,641**	2,484,230
Due from related parties	*22, 25*	**567,309**	580,174
Prepaid expenses and other current assets		**281,643**	284,299
Total Current Assets		**8,979,604**	6,251,736
Noncurrent Assets			
Investments in associates	*7*	**612,656**	596,077
Bottles and cases - net	*8*	**4,440,968**	4,970,119
Property, plant and equipment - net	*9*	**11,819,220**	11,920,635
Deferred tax assets	*12*	**115,781**	125,397
Other noncurrent assets		**204,411**	280,407
Total Noncurrent Assets		**17,193,036**	17,892,635
		P26,172,640	P24,144,371
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*10, 13, 23, 25, 26*	**P9,221,397**	P8,132,493
Short-term debt	*11, 25*	**1,000,000**	3,100,000
Current portion of long-term debt	*11, 25*	**795,456**	598,749
Income tax payable		**8,861**	42,343
Total Current Liabilities		**11,025,714**	11,873,585
Noncurrent Liabilities			
Long-term debt - net of current portion	*11, 25*	**4,626,874**	1,147,783
Deferred tax liabilities	*12*	**696,564**	870,002
Other noncurrent liabilities	*13, 25, 26*	**664,423**	807,545
Total Noncurrent Liabilities		**5,987,861**	2,825,330
Total Liabilities		**17,013,575**	14,698,915
Equity			
Share capital	*14*	**1,751,435**	1,751,435
Remeasurement losses on net defined benefit liability	*13*	**(195,079)**	(270,754)
Retained earnings	*11, 15*	**7,602,709**	7,964,775
Total Equity		**9,159,065**	9,445,456
		P26,172,640	P24,144,371

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Amounts in Thousands, Except Earnings Per Share Data)

		Years Ended December 31		
	Note	**2018**	2017	2016
GROSS SALES	*24*	**P38,437,515**	P35,866,107	P35,751,495
LESS SALES DISCOUNTS, RETURNS AND ALLOWANCES	*24*	**4,843,097**	5,560,539	5,431,027
NET SALES		**33,594,418**	30,305,568	30,320,468
COST OF GOODS SOLD	*16*	**27,883,367**	23,032,590	23,406,143
GROSS PROFIT		**5,711,051**	7,272,978	6,914,325
OPERATING EXPENSES				
Selling and distribution	*17*	**3,998,494**	4,418,587	3,676,995
General and administrative	*18*	**1,190,181**	1,055,267	970,232
Marketing	*23*	**666,062**	941,953	1,005,630
		5,854,737	6,415,807	5,652,857
OPERATING PROFIT (LOSS)		**(143,686)**	857,171	1,261,468
FINANCE AND OTHER INCOME (EXPENSES)				
Equity in net earnings of associates	*7*	**16,579**	11,880	13,920
Interest income	*4, 22*	**5,354**	4,725	4,427
Interest expense	*11, 26*	**(275,329)**	(136,837)	(90,768)
Other income - net	*26*	**134,544**	31,065	23,304
		(118,852)	(89,167)	(49,117)
PROFIT (LOSS) BEFORE TAX		**(262,538)**	768,004	1,212,351
INCOME TAX BENEFIT (EXPENSE)	*12*	**62,998**	(226,679)	(359,229)
PROFIT (LOSS) FOR THE YEAR		**(199,540)**	541,325	853,122
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified to profit or loss				
Remeasurement gains (losses) on defined benefit liability - net of deferred tax	*12, 13*	**75,675**	(3,602)	10,661
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P123,865)**	P537,723	P863,783
Basic/Diluted Earnings Per Share	*21*	**(P0.05)**	P0.15	P0.23

See Notes to the Financial Statements.

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

		Share Capital					Years Ended December 31
	Note	Capital Stock (see Note 14)	Additional Paid-in Capital (see Note 14)	Total	Remeasurement Gains (Losses) on Net Defined Benefit Liability (see Note 13)	Retained Earnings (see Note 15)	Total Equity
Balance as at December 31, 2015		P554,066	P1,197,369	P1,751,435	(P277,813)	P7,068,987	P8,542,609
Total comprehensive income							
Profit for the year		-	-	-	-	853,122	853,122
Other comprehensive loss - net		-	-	-	10,661	-	10,661
Total comprehensive income		-	-	-	10,661	853,122	863,783
Transaction with equity holders of the Company directly recorded in equity							
Cash dividends during the year	15	-	-	-	-	(243,789)	(243,789)
Balance as at December 31, 2016		554,066	1,197,369	1,751,435	(267,152)	7,678,320	9,162,603
Total comprehensive income							
Profit for the year		-	-	-	-	541,325	541,325
Other comprehensive gain - net		-	-	-	(3,602)	-	(3,602)
Total comprehensive income		-	-	-	(3,602)	541,325	537,723
Transaction with equity holders of the Company directly recorded in equity							
Cash dividends during the year	15	-	-	-	-	(254,870)	(254,870)
Balance as at December 31, 2017		554,066	1,197,369	1,751,435	(270,754)	7,964,775	9,445,456

Forward

Years Ended December 31

	Note	Share Capital			Remeasurement Gains (Losses) on Net Defined Benefit Liability (see Note 13)	Retained Earnings (see Note 15)	Total Equity
		Capital Stock (see Note 14)	Additional Paid-in Capital (see Note 14)	Total			
Total comprehensive income							
Profit (loss) for the year		P -	P -	P -	P -	(P199,540)	(P199,540)
Other comprehensive loss - net		-	-	-	75,675	-	75,675
Total comprehensive income		-	-	-	75,675	(199,540)	(123,865)
Transaction with equity holders of the Company directly recorded in equity							
Cash dividends during the year	*15*	-	-	-	-	(162,526)	(162,526)
Balance as at December 31, 2018		P554,066	P1,197,369	P1,751,435	(P195,079)	P7,602,709	P9,159,065

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

			Years Ended December 31	
	Note	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		**(P262,538)**	P768,004	P1,212,351
Adjustments for:				
Depreciation and amortization	*8, 9, 19*	**2,632,271**	2,952,727	2,739,392
Interest expense	*11, 26*	**275,329**	136,837	90,768
Retirement cost	*13, 20*	**123,879**	116,684	112,462
Impairment losses on (reversal of) receivables, inventories, bottles and cases, and machinery and equipment	*5, 6, 8, 9*	**61,559**	327,306	(3,292)
Loss on disposal of property and equipment	*9*	**14,566**	24,516	6,243
Equity in net earnings of associates	*7*	**(16,579)**	(11,880)	(13,920)
Interest income	*4, 22*	**(5,354)**	(4,725)	(4,427)
Operating profit before working capital changes		**2,823,133**	4,309,469	4,139,577
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Due from related parties		**12,865**	5,000	8,904
Prepaid expenses and other current assets		**2,656**	(76,791)	(44,349)
Inventories		**(2,593,478)**	(773,110)	(251,245)
Receivables		**(174,718)**	(485,270)	(251,483)
Increase in accounts payable and accrued expenses		**1,010,496**	639,019	694,992
Cash generated from operations		**1,080,954**	3,618,317	4,296,396
Interest received		**5,278**	4,718	4,432
Income taxes paid		**(166,737)**	(173,443)	(444,848)
Contribution to plan assets	*13*	**(124,000)**	(33,000)	(50,000)
Retirement benefits paid directly to employees	*13*	**(36,036)**	(36,276)	(47,580)
Net cash provided by operating activities		**759,459**	3,380,316	3,758,400

Forward

	Note	2018	2017	2016
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment		**P2,667**	P6,347	P267
Additions to:				
Property, plant and equipment	9	**(1,205,087)**	(2,215,112)	(2,055,792)
Bottles and cases	8	**(771,168)**	(1,472,332)	(1,602,419)
Decrease (increase) in other noncurrent assets		**75,996**	(11,737)	13,759
Net cash used in investing activities		**(1,897,592)**	(3,692,834)	(3,644,185)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:	11			
Short-term debt		**16,250,000**	18,200,000	10,550,000
Long-term debt		**4,300,000**	-	-
Repayments of:	11			
Short-term debt		**(18,350,000)**	(16,700,000)	(9,850,000)
Long-term debt		**(600,000)**	(600,000)	(550,000)
Cash dividends paid	15	**(162,526)**	(254,870)	(243,789)
Interest paid	9, 11	**(279,345)**	(154,308)	(165,164)
Debt issuance cost	11	**30,250**	-	-
Net cash provided by (used in) financing activities		**1,188,379**	490,822	(258,953)
NET INCREASE (DECREASE) IN CASH		**50,246**	178,304	(144,738)
CASH AT BEGINNING OF YEAR		**498,352**	320,048	464,786
CASH AT END OF YEAR	4	**P548,598**	P498,352	P320,048

See Notes to the Financial Statements.

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 incorporated as a stock corporation in the Philippines on March 8, 1989, with a corporate life of 50 years, 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.

On May 16, 2014 and May 30, 2014, the Company's Board of Directors (BOD) and Stockholders approved (on the respective dates) the amendments to the Article of Incorporation, particularly on its primary purpose to engage in, operate, conduct and maintain the business of manufacturing, importing, buying, selling, handling, distributing, trading or otherwise dealing in, at wholesale and (to the extent allowed by law) retail, food and food products, snacks, confectionery drinks and other beverages in bottles, cans and other containers or dispensers and other related goods of whatever nature, and any and all materials, suppliers and other goods used or employed in or related to the manufacture of such finished products as well as the amendment of the Company's principal office address. The said amendments were approved by the Securities and Exchange Commission (SEC) on August 27, 2014.

The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since February 1, 2008. Lotte Corporation, with a 42.22% stake in the Company, is the largest shareholder of the Company. Quaker Global Investments B.V. is the other major shareholder with a 25.00% stake. Lotte Corporation was organized under the laws of South Korea. Quaker Global Investments B.V. was organized under the laws of the Netherlands.

2. Basis of Preparation

<u>Statement of Compliance</u>

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 which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The accompanying financial statements as at December 31, 2018 and 2017 and for each of the three years period ended December 31, 2018 were approved and authorized for issue by the Company's BOD on March 28, 2019. The BOD has the power to amend the financial statements after issuance.

Details of the Company's accounting policies are included in Note 3 to the financial statements.

This is the first set of the Company's annual financial statements in which PFRS 15 *Revenue from Contracts with Customers* and PFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 3 to the financial statements.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting, except for the net defined benefit liability which is recognized at the present value of the defined benefit obligation less fair value of plan assets.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts have been rounded-off to the nearest thousands, except per share data and when otherwise indicated.

Use of Judgments and Estimates

In preparation of these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- Note 24 - Determination of whether the Company is acting as a Principal or an Agent
- Note 25 - Classifying financial instruments
- Note 26 - Determination of whether an arrangement contains a lease
- Note 26 - Lease classification
- Note 26 - Commitments, Contingencies and Losses

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are included in the following notes:

- Note 5 - Estimation of allowance for impairment losses on receivables
- Note 26 - Commitments, Contingencies and Losses

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies explained below.

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>

The Company has adopted the following new standards, amendments to standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's financial statements.

- PFRS 15, *Revenue from Contracts with Customers,* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC-13 *Customer Loyalty Programmes*, IFRIC-18 *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

  Depending on whether certain criteria are met, revenue is recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRS, then the guidance on separation and measurement contained in other PFRS takes precedence.

  During the year ended December 31, 2018, the Company carried out a detailed review of the revenue recognition criteria applying the requirements of PFRS 15 to ensure that the same principles were being applied consistently. This review in particular examined the timing of revenue recognition and variable consideration such as discounts, allowances and certain payments to customers post the initial sale of goods.

  <u>*Timing of Revenue Recognition*</u>

  The Company concluded that PFRS 15 will not impact the timing of revenue recognition as revenue from sale of goods is currently recognized when the goods are delivered to the customers' premises, which is taken to be point in time at which control over the goods is transferred.

Variable Consideration
The revised accounting policy establishes that revenue is recognized to the extent that it is highly probable that a reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently settled. This means that discounts, allowances, listing and slotting fees/display allowances are deducted from revenue unless it is highly probable that they will not be incurred. When these payments to customers relate to a distinct service or goods, they will be recorded as operating expenses. Based on management's assessment, the application of PFRS 15 did not impact the current classification of these variable consideration, i.e. discounts and allowances are recorded as a reduction to revenue and listing and slotting fees/display allowances are recorded as operating expenses.

Consideration was also given to the disclosure of revenue into different categories. It was determined that all revenue would be disclosed as 'sale of goods' as revenue from other sources was immaterial.

The Company has adopted PFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (January 1, 2018). Accordingly, the information presented in 2017 has not been restated. It is presented as previously reported under PAS 18 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

- PFRS 9, *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement,* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss (ECL) model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Classification and Measurement of Financial Instruments
  PFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on business model in which a financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held to maturity, loans and receivables and available for sale.

  PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities.

  The adoption of PFRS 9 has not had a significant effect on the Company's accounting policies related to classification of financial assets and liabilities.

  All classes of financial assets and financial liabilities as at December 31, 2018, had the same carrying values under PFRS 9 as they had under PAS 39.

Impairment of Financial Asset
PFRS 9 replaces the 'incurred loss' model in PAS 39 with an 'expected credit loss (ECL) model'. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than PAS 39.

The impact of expected credit loss (ECL) model for the year ended December 31, 2018 did not result in a restatement of Company's results as it is not material.

- *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The interpretation was approved by the FRSC on January 11, 2017 but is still subject to the approval by the BOA.

- Annual Improvements to PFRSs 2014 - 2016 Cycle. This cycle of improvements contains amendments to three standards. The following is the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018, which has no significant effect on the financial statements of the Company:

  - Measuring an associate or joint venture at fair value (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

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. Regular way 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 trade date.

I. *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 that are directly attributable to their acquisition cost or issue.

II. Classification and Measurement

Financial Assets - Policy Applicable from January 1, 2018
The Company classifies its financial assets into the following categories: amortized cost, FVOCI - debt investment, FVOCI - equity investment, or FVTPL. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification of financial assets depends on both the business model in which the financial asset is managed and whether the cash flows from the financial asset represent, on specified date, solely payment of principal and interest (SPPI) on the principal amount outstanding. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets and there is a change in the contractual cash flow characteristics of the financial asset, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

As at December 31, 2018, the Company does not have any financial assets and financial liabilities at FVPL and FVOCI.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to collect contractual cash flows and its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any incremental transaction cost.

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

After initial recognition, these financial assets 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. Losses are recognized in profit or loss and reflected in the allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant account is written-off. Gains and losses are recognized in profit or loss when these financial assets are derecognized or impaired, as well as through amortization process. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Financial Assets - Policy Applicable before January 1, 2018
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.

The Company's cash (excluding cash on hand), receivables and due from related parties are included in this category.

Cash includes cash in banks, which is stated at face 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.

All loans and borrowing are initially recognized at the fair value of the consideration received less directly attributable debt issuance costs. Debt issuance costs are amortized using the effective interest method and the unamortized portion of debt issuance costs are offset against the related carrying amount of the loan in the statements of financial position. Such amortization is booked as part of "Interest expense" under "Finance and Other Income (Expenses)" account in the statements of profit or loss and other comprehensive income.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest.

When loan is paid, the related unamortized debt issuance costs at the date of repayment are charged against current operations. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

Included in this category are the Company's short-term and long-term debts, accounts payable and accrued expenses and finance lease liability (under "Other noncurrent liabilities" account in the statements of financial position) that meet the above definition (other than liabilities covered by other PFRSs, such as income tax payable, deferred tax liabilities and defined benefit liability).

III. *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 transferred 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 pay.

A financial liability is derecognized when the obligation is discharged, 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.

'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 is 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.

Fair Value Measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When measuring the fair values of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels of the fair value hierarchy based on the inputs used in the valuation techniques 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).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of inventories (finished goods, work in process, raw and packaging materials and spare parts and supplies), which is determined using weighted average and is valued at standard cost method adjusted to approximate actual costs through the allocation of manufacturing variances on a periodic basis, 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" account in the statements of profit or loss and other 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. Bottles and cases also include certain pallets acquired under finance lease. These assets are deferred and amortized using the straight-line method over their estimated useful lives (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 they are available for use and is recognized in profit or loss. 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 less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property, plant and equipment is carried at cost, which comprises its purchase price and any directly attributable cost in bringing the asset to working condition and location for its intended use. 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.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization of these major spare parts and stand-by equipment commence once these have become available for use (i.e., when they are in the location and condition necessary for them to be capable of operating in a manner intended by the Company).

The EUL of property, plant and equipment are as follows:

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

Depreciation and amortization commences once the assets become available for use. Depreciation and amortization are 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 item of property, plant and equipment 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 arising from the retirement or disposal (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss.

<u>Impairment</u>

Financial Assets

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following, which are measured as 12-month ECL:

- cash in bank that is determined to have low credit risk at the reporting date; and
- due from related parties for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contracts assets are always measured at an amount equal to lifetime ECL.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument while 12-month ECLs are the portion of ECLs that result from default events that are possible default within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Default is defined as financial assets for which contractual payments are more than 60 days past due. However, the Company may also consider a financial assets to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into accounts any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The maximum period over which the Company exposed to credit risk.

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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 asset, 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.

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. 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 had no impairment loss been recognized.

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 unit (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 of disposal and its value in use. Fair value less costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, 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 estimates 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. After such reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

<u>Provisions</u>
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)" account in statements of profit or loss and other comprehensive income (see Note 26).

<u>Share Capital</u>
Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution

Retained earnings represent the cumulative balance of periodic profit (loss), dividend distributions, prior period adjustments and effects of changes in accounting policy and capital adjustments.

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.

Other Comprehensive Income

Other comprehensive income are items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRSs.

Revenue Recognition

The Company has initially applied PFRS 15 from January 1, 2018.

Sale of Goods

Revenue Recognition under PFRS 15 (Applicable from January 1, 2018)

Revenue is recognized as or when performance obligations are satisfied by transferring control of goods to the customer. Control is transferred at the time of delivery of the products to the customers, and under normal credit terms. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, sale of goods is measured at transaction price or the amount to which the Company expects to be entitled in exchange for transferring goods to customer, net of expected discounts, allowances, and certain payments to customers including but not limited to listing/slotting fees and display allowances for which no distinct goods or service is received.

Revenue Recognition under PAS 18 (Applicable before January 1, 2018)

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of discounts, returns and allowances. Revenue is recognized when persuasive evidence exists 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.

Other Income

Other income is recognized in profit or loss when earned.

Cost and Expense Recognition
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 goods are delivered or when the expenses are 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 the Company's 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.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined Benefit Plan
The Company has a funded, noncontributory, final salary defined benefit plan covering substantially all of its employees.

The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The Company presents the amount of expected contribution to the plan assets in the next fiscal year as a current liability, while the remaining amount of the net defined benefit liability is presented as noncurrent.

The calculation of the defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the opening net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Company's plan assets that are held by entities (trustees) that are legally separate and independent from the Company and exist solely to pay or fund the defined benefit plan, are not available to the Company's own creditors (even in bankruptcy), and cannot be returned to the Company, unless the remaining assets of the fund are sufficient to meet all the defined benefit obligation of the plan or the Company.

Finance Income and Finance Expense

Finance income comprises interest income on bank deposit, net foreign currency gains on asset and liabilities and dividend income. Interest income is recognized in profit or loss as it accrues, using the effective interest method and is presented net of final tax. Dividend income, if any, is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance expense comprises interest expense on borrowings and net foreign currency loss on financial assets and liabilities. All finance expense 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 at inception date 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 give 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. Rental income and expense from operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

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 recognized in profit or loss.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms, unless it is with reasonable certainty that the Company will obtain ownership by the end of the lease term, in which case the asset is depreciated over its EUL.

Borrowing Costs
Interest and other finance costs incurred on borrowings used to finance property development 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.

Foreign Currency Transactions
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.

Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of transaction.

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.

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, respectively.

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 by the end of the reporting period.

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), if any, and unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax. 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.

Deferred tax assets are recognized for carryforward tax benefits of unused NOLCO, unused tax credits from excess MCIT and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. 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 by the end of the reporting period.

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 years based on its assessment of many factors, including interpretation of tax laws 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 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)
Revenue, expenses and assets are recognized net of the amount of VAT except:

- where the VAT incurred on purchase of assets or services are not recoverable from the taxation authority, in which case, the VAT 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 "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" accounts in the statements of financial position.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the profit applicable to common stock 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 profit attributable to common equity holders by the weighted average number of common shares outstanding during the year, adjusted for the effects of any potentially dilutive common shares.

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. When the realization of income is virtually certain, the related asset is not a contingent asset and its recognition is appropriate.

When losses are expected to be reimbursed by another party, the reimbursement should be recognized when and only when, it is virtually certain that the reimbursement will be received. The reimbursement shall be treated as a separate asset. The expense relating to a provision is presented net of the amount recognized for the reimbursement.

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 the resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Events After the Reporting Date
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.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

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

Effective January 1, 2019

- *PFRS 16, Leases,* supersedes PAS 17, *Leases,* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

  The Company has assessed the potential impact of the new standard. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at January 1, 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

  So far, the most significant impact identified is that the Company will recognize right-of-use (ROU) assets and liabilities for its operating leases of land, warehouse, facilities and vehicles amounting to P595 million. In addition, the nature of expenses related to those leases will now change as PFRS 16 replaces the straight-line operating lease expense with depreciation charge for the ROU assets and interest expense on lease liabilities.

  No significant impact is expected on the Company's finance leases.

  The Company does not expect the adoption of PFRS 16 to impact its ability to comply with its loan covenants.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The interpretation can be initially applied retrospectively applying PAS 8, if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9 Financial Instruments).* The amendments cover the following areas:

  - *Prepayment features with negative compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

    The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

  - *Modification of financial liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

  If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

- *Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28 Investments in Associates and Joint Ventures).* The amendment requires the application of PFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests (LTIs) that, in substance, form part of the entity's net investment in an associate or joint venture.

  The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any prior years' PAS 28 loss absorption. If necessary, prior years' PAS 28 loss allocation is trued-up in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

  The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

- *Plan Amendment, Curtailment or Settlement (Amendments to PAS 19 Employee Benefits).* The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a.) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  (b.) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  (c.) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d.) clarifying the explanatory paragraphs accompanying the definition; and
  (e.) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

4. Cash

Cash consists of:

	Note	**2018**	2017
Cash on hand		**P253,088**	P347,124
Cash in banks	*25*	**295,510**	151,228
		P548,598	P498,352

Cash in banks earns annual interest at the respective bank deposit rates.

Interest income earned from cash in banks amounted to P1.5 million, P0.9 million and P0.6 million in 2018, 2017 and 2016, respectively.

The Company's exposures to credit risk and interest rate risk are disclosed in Note 25 to the financial statements.

5. Receivables

Receivables consist of:

	Note	2018	2017
Trade receivables - third parties	25	**P2,050,002**	P1,744,447
Others	23, 25	**714,344**	875,189
		2,764,346	2,619,636
Less allowance for impairment losses and others		**221,933**	214,955
	25	**P2,542,413**	P2,404,681

Trade receivables are all current, noninterest-bearing and are generally on a 15 to 60 days' term. Other receivables consist mainly of receivables from employees, freight and marketing related reimbursements (see Note 23), which are normally collected in cash.

Impairment
The Company maintains an allowance for impairment losses at a level considered adequate to provide for expected credit losses. The Company performs regular review of the age and status of these accounts, designed to identify accounts with expected credit losses and provides these with the appropriate allowance for impairment losses. The review is accomplished using lifetime expected credit losses, 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. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current asset.

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

		2018			2017		
	Note	Trade	Others	Total	Trade	Others	Total
Balance at beginning of year		**P159,522**	**P55,433**	**P214,955**	P178,272	P54,339	P232,611
Impairment losses recognized during the year	17	**19,268**	**17,794**	**37,062**	6,667	1,145	7,812
Write-offs during the year		**(28,398)**	**(1,686)**	**(30,084)**	(25,418)	(50)	(25,468)
Balance at end of year		**P150,392**	**P71,541**	**P221,933**	P159,521	P55,434	P214,955

Impairment losses recognized during the period are included as part of "Selling and distribution expenses" account in the statements of profit or loss and other comprehensive income.

The Company's exposure to credit risk related to receivables is disclosed in Note 25 to the financial statements.

6. Inventories

Inventories consist of:

	2018	2017
Raw and packaging materials	**P3,720,082**	P1,603,387
Finished goods	**1,101,781**	680,072
Spare parts and supplies	**214,634**	195,129
Work in process	**3,144**	5,642
	P5,039,641	P2,484,230

Raw and packaging materials, finished goods and work in process included in "Cost of Goods Sold" account in the statements of profit and loss and other comprehensive income amounted to P14.1 billion in 2018, P16.2 billion in 2017 and P16.9 billion in 2016 (see Note 16).

In determining the NRV 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 NRV 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 NRV. The amount and timing of recorded expense for any period would differ if different judgments were made or different estimates were utilized. The increase in inventory obsolescence and market decline would increase the recorded cost of goods sold and decrease current assets. The cost of inventories stated at NRV are as follows:

	2018	2017
Raw and packaging materials	**P3,919,513**	P2,007,210
Finished goods	**1,159,392**	748,514
Spare parts and supplies	**182,073**	176,471
	P5,260,978	P2,932,195

Net write-down of inventories to NRV amounted to P38.0 million, P357.9 million and P91.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. The write-down of inventories to NRV which is directly related to production is included as part of "Cost of Goods Sold" account, otherwise it is recognized as part of "Operating Expenses" account in the statements of profit and loss and other comprehensive income.

7. Investments in Associates

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

	Percentage (%) of Ownership		Amount	
	2018	2017	**2018**	2017
Acquisition cost:				
Nadeco Realty Corporation (NRC)	**40%**	40%	**P231,490**	P231,490
Nadeco Holdings Corporation (NHC)	**40%**	40%	**132**	132
			231,622	231,622
Accumulated equity in net earnings:				
Balance at beginning of year			**364,455**	352,575
Equity in net earnings for the year			**16,579**	11,880
Balance at end of year			**381,034**	364,455
			P612,656	P596,077

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, 2018 and 2017.

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

As at December 31, 2018 and 2017, the undistributed earnings of the associates included in the Company's retained earnings amounting to P381.0 million and P364.5 million respectively, is not available for distribution to stockholders unless declared by the associates. Equity in net earnings from investments in associates amounted to P16.6 million, P11.9 million and P13.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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

	As at and For the Year Ended December 31, 2018					
	Current Assets	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Revenues**	**Profit/Total Comprehensive Income**
NRC	**P233,179**	**P1,275,375**	**P767,944**	**P138,059**	**P30,241**	**P15,402**
NHC (consolidated)	**242,223**	**1,275,705**	**773,781**	**138,059**	**31,141**	**15,623**

	As at and For the Year Ended December 31, 2017					
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenues	Profit/Total Comprehensive Income
NRC	P224,326	P1,275,075	P776,379	P137,096	P29,334	P11,790
NHC (consolidated)	232,509	1,275,405	781,576	137,096	30,234	12,067

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:

	2018	2017
Deposit values of returnable bottles and cases on hand - net of allowance for unusable containers of P39,146 as at December 31, 2016	**P650,427**	P563,989
Excess of cost over deposit values of returnable bottles and cases - net of accumulated amortization*	**3,687,021**	4,195,306
	4,337,448	4,759,295
Bottles and cases in-transit	**103,520**	210,824
	P4,440,968	P4,970,119

*This includes pallets with net book value of P333.4 million and P365.2 million as at December 31, 2018 and 2017, respectively.

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

	Note	2018	2017
Gross Carrying Amount*			
Balance at beginning of year		**P11,088,506**	P9,565,438
Additions		**805,602**	1,523,067
Balance at end of year		**11,894,108**	11,088,505
Accumulated Amortization*			
Balance at beginning of year		**6,893,199**	5,294,768
Amortization for the year	*16, 17*	**1,343,002**	1,648,021
Other movements		**(29,114)**	(49,590)
Balance at end of year		**8,207,087**	6,893,199
Carrying Amount*			
Balance at end of year		**P3,687,021**	P4,195,306

*This includes pallets with gross carrying amount of P790.7 and P765.8 million as at December 31, 2018 and 2017, respectively, with related accumulated amortization amounting to P457.3 and P400.6 million as at December 31, 2018 and 2017, respectively, and net book value of P333.4 and P365.2 million as at December 31, 2018 and 2017, respectively.

Amortization
Amortization was charged to:

	Note	2018	2017	2016
Cost of goods sold	*16*	**P1,291,021**	P1,495,879	P1,262,209
Selling and distribution	*17*	**51,981**	152,142	109,770
		P1,343,002	P1,648,021	P1,371,979

The Company annually reviews the EUL of returnable bottles and cases based on the period over which the assets are expected to be available for use, principally determined by their historical breakage and trippage. 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 bottles and cases would increase the recorded amortization expense and decrease noncurrent assets.

Purchase Commitments
The Company has outstanding purchase commitment for the bottles and cases amounting to P470.1 million and P137.6 million as at December 31, 2018 and 2017, respectively.

Impairment
The Company provides 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:

	Note	**2018**	2017
Balance at beginning of year		**P -**	P39,146
Impairment (reversal of impairment) losses during the year	*17*	**13,570**	(38,387)
Reversal of write-off (write-off) during the year		**(7,012)**	(759)
Balance at end of year		**P6,558**	P -

The Company assesses at each reporting date whether there is an indication that the bottles and cases 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. An increase in the allowance for unusable containers would increase the recorded operating expenses and decrease noncurrent assets.

Allowance for impairment losses for bottles and cases relates to excess bottles, as well as those that failed to meet the prescribed quality standards prescribed, such as chipped, faded logos and broken bottles and cases.

9. Property, Plant and Equipment

The movements in this account are as follows:

	Machinery and Other Equipment	Buildings and Leasehold Improvements	Furniture and Fixtures	Construction In-Progress	Total
Gross Carrying Amount					
December 31, 2016	P16,310,819	P3,319,448	P51,804	P944,723	P20,626,794
Additions	1,590,306	386,087	5,833	258,846	2,241,072
Disposals/write-offs/adjustments	(318,528)	(7,080)	(748)	-	(326,356)
Transfers/reclassifications	89,564	(23,125)	832	(67,271)	-
December 31, 2017	17,672,161	3,675,330	57,721	1,136,298	22,541,510
Additions	945,867	153,974	2,384	102,862	1,205,087
Disposals/write-offs/adjustments	(343,863)	(1,966)	(321)	-	(346,150)
Transfers/reclassifications	(49,292)	40,921	565	7,806	-
December 31, 2018	**18,224,873**	**3,868,259**	**60,349**	**1,246,966**	**23,400,447**
Accumulated Depreciation and Amortization					
December 31, 2016	8,744,277	834,891	32,494	-	9,611,662
Depreciation and amortization	1,192,247	109,071	3,388	-	1,304,706
Disposals/write-offs/adjustments	(290,182)	(4,788)	(523)	-	(295,493)
Transfers/reclassifications	(406)	351	55	-	-
December 31, 2017	9,645,936	939,525	35,414	-	10,620,875
Depreciation and amortization	1,175,526	110,038	3,705	-	1,289,269
Disposals/write-offs/adjustments	(327,093)	(1,507)	(317)	-	(328,917)
Transfers/reclassifications	(3,059)	2,783	276	-	-
December 31, 2018	**10,491,310**	**1,050,839**	**39,078**	**-**	**11,581,227**
Carrying Amount					
December 31, 2017	P8,026,225	P2,735,805	P22,307	P1,136,298	P11,920,635
December 31, 2018	**P7,733,563**	**P2,817,420**	**P21,271**	**P1,246,966**	**P11,819,220**

Depreciation and Amortization
Depreciation and amortization were charged to:

	Note	**2018**	2017	2016
Cost of goods sold	*16*	**P838,787**	P795,285	P799,163
Selling and distribution	*17*	**396,286**	454,771	485,770
General and administrative	*18*	**54,196**	54,650	82,480
		P1,289,269	P1,304,706	P1,367,413

The Company annually reviews 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.

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 (see Note 8), amounting to P2.0 billion, P3.7 billion and P3.7 billion for the years ended December 31, 2018, 2017 and 2016, respectively.

Borrowing Cost
In 2018 and 2017, the Company obtained bank loans to partially fund its capital expenditures and has capitalized borrowing costs amounting to nil in 2018 and P26.0 million, with a capitalization rate of 3.21% in 2017. These costs are included as part of additions to "Property, plant and equipment" account in the statements of financial position (see Note 11).

Impairment
The Company assesses at each reporting date whether there is an indication that its property, plant and equipment 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, an increase in impairment losses would decrease profit or loss and consequently, decrease equity. No impairment indicators exists on the Company's property, plant and equipment as at December 31, 2018 and 2017.

Disposal
Loss on disposal of property and equipment amounted to P14.6 million, P24.5 million and P6.2 million in 2018, 2017 and 2016, respectively.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2018**	2017
Trade payables - third parties	*23*	**P6,057,175**	P4,877,365
Accrued advertising and marketing		**813,019**	935,846
Accrued contract services		**711,678**	737,014
Non-trade payables		**672,795**	560,041
Accrued personnel cost	*13*	**235,194**	271,563
Accrued rent		**104,098**	82,749
Accrued utilities		**77,055**	52,540
Accrued financing charges		**26,141**	30,157
Current portion of finance lease liability	*26*	**-**	3,728
Other accrued expenses		**524,242**	581,490
		P9,221,397	P8,132,493

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 defined benefit liability, salaries and other employee benefits.

The Company's other accrued expenses consist of various accruals for operating expenses that are individually immaterial.

The Company's exposure to liquidity risk related to accounts payable and accrued expenses is disclosed in Note 25 to the financial statements.

11. Short-term and Long-term Debt

a. *Short-term Debt*

As at December 31, 2018, this account represents unsecured, interest-bearing short-term loans from local banks, with various maturity dates up to February 22, 2019. These short-term loans were acquired to finance the Company's working capital requirements. Interest rates on the said loans ranged from 4.8% to 5.15% in 2018 and 2.20% to 3.00% in 2017.

Total proceeds from these short-term loans amounted to P16.25 billion and P18.2 billion in 2018 and 2017, respectively, while total payments totaled P18.35 billion and P16.7 billion in 2018 and 2017, respectively. As at December 31, 2018 and 2017, the balance of short-term debt amounted to P1 billion and P3.1 billion, respectively.

b. *Long-term Debt*

This account consists of:

	2018	2017
7 year P1 billion term loan from Metropolitan Bank & Trust & Co. (MBTC)	**P300,000**	P500,000
Two (2) 7 year P1 billion term loan each from Bank of the Philippine Islands (BPI)	**850,000**	1,250,000
7 year P800 million term loan from Bank of the Philippine Islands (BPI)	**800,000**	-
5 year P2.5 billion term loan from Metropolitan Bank & Trust & Co. (MBTC)	**2,500,000**	-
5 year P500 million term loan from Shinhan Bank	**500,000**	-
3 year P500 million term loan from Industrial Bank of Korea (IBK)	**500,000**	-
	5,450,000	1,750,000
Less debt issuance cost	**27,670**	3,468
	P5,422,330	P1,746,532
Current	**P795,456**	P598,749
Noncurrent	**4,626,874**	1,147,783
	P5,422,330	P1,746,532

Term Loan from MBTC

In March 2013, the Company entered into a loan agreement with MBTC amounting to P1 billion, to partially finance the Company's capital expenditure for its CSD and NCB business. The loan is unsecured and with a term of seven (7) years, payable in twenty (20) successive quarterly principal repayments to commence at the end of the 9th quarter from the initial drawdown date and with a fixed interest rate based on PDST-F at drawdown date plus certain spread. PDST-F rate is the average of the best sixty percent (60%) of the live bids of participating fixing banks in the secondary market for the 5-year Philippine peso-denominated Treasury bills and bonds.

In March 2018, the Company entered into a P2.5 billion loan agreement with MBTC to refinance its short-term debt and partially finance its capital expenditures. The loan is unsecured and a term five (5) years payable in twelve (12) successive quarterly principal repayments to commence at the end of the 9th quarter from the drawdown date.

Under the terms of the long-term loan agreement with MBTC, the Company may, at its option, prepay the loan in full or in part without penalty, together with interest due. Prepayment shall be applied against the scheduled installment payments in the inverse order of their maturity. The Company shall give a notice of such prepayment not less than thirty (30) days prior to such proposed date of prepayment.

The loan agreement also provides for certain covenants, the more significant of which are as follows:

- Debt-to-equity ratio shall not exceed 2:1 based on the financial statements;
- Current ratio of at least 0.40:1 based on the financial statements; or
- The Company shall not declare or pay any cash dividends or redeem or repurchase any outstanding share or make any capital or asset distribution to its stockholders without prior written consent of the lender.

Term Loan from BPI
On October 16, 2013 and March 31, 2014, the Company entered into a loan agreement with BPI to refinance the Company's short-term debt totaling to P2 billion. The loans are unsecured and with a term of seven (7) years, payable in twenty (20) successive quarterly principal repayments to commence at the end of the 8th quarter from the initial drawdown date and with a fixed interest rate which shall be determined using the base rate plus a certain spread per annum on the drawdown date.

On December 28, 2018, the Company entered into a P800 million loan agreement with BPI to refinance or partially refinance its short-term bank loans. The loan is unsecured and with a term of seven (7) years, payable in twenty (20) equal quarterly principal repayments to commence at the end of the 9th quarter from the drawdown date.

Under the terms of the long-term loan agreement with BPI, the Company may, at its option, prepay the loan in full or in part without penalty, together with interest due. Prepayment shall be applied against the scheduled installment payments in the inverse order of their maturity. The Company shall give a notice of such prepayment not less than thirty (30) days prior to such proposed date of prepayment.

The loan agreement also provides for certain covenants, the more significant of which are as follows:

- Debt-to-equity ratio shall not exceed 2:1 based on the financial statements;
- Current ratio of at least 0.40:1 based on the financial statements;
- Debt service coverage ratio of 1:1 based on the financial statements; or
- The Company shall not declare or pay any cash dividends or redeem or repurchase any outstanding share or make any capital or asset distribution to its stockholders without prior written consent of the lender.

Term Loan from Shinhan Bank
On March 23, 2018, the Company entered into a loan agreement with Shinhan Bank amounting to P500 million, to be used by the Company exclusively to refinance its short term loans. The loan is unsecured and with a term of five (5) years, payable in twelve (12) successive quarterly principal repayments to commence at the end of the 9th quarter from the drawdown date and with a fixed interest rate.

Term Loan from IBK
On March 16, 2018, the Company entered into a loan agreement with IBK amounting to P500 million, to be used by the Company exclusively for financing its capital working loan. The loan is unsecured and with a term of three (3) years, payable in ten (10) successive quarterly principal repayments to commence at the end of the 5th quarter from the drawdown date and with a fixed interest rate.

As at December 31, 2018 and 2017, the Company is compliant with all of the financial covenants of its loan agreements.

Interest expense on the above loans recognized in the statements of profit or loss and other comprehensive income amounted to P269.3 million, P135.5 million and P87.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. Amortization of debt issuance cost amounted to P6.9 million in 2018, P2.4 million in 2017 and P2.9 million in 2016.

Total interest capitalized in 2018 and 2017 relating to the abovementioned long-term debt amounted to nil and P26.0 million, respectively (see Note 9).

Information about the Company's exposures to interest rate risk and liquidity risk are disclosed in Note 25 to the financial statements.

Repayment Schedule
As of December 31, 2018, the annual maturities of long-term debt are as follows:

Year	Gross Amount	Amortization of Debt Issuance Cost	Net
2019	P800,000	P3,680	P796,320
2020	1,450,000	6,619	1,443,381
2021	1,310,000	5,073	1,304,927
2022	1,160,000	2,494	1,157,506
2023	410,000	358	409,642
2024	160,000	548	159,452
2025	160,000	217	159,783
	P5,450,000	P18,989	P5,431,011

Reconciliation of Opening and Closing Balances of Total Bank Debt

	Bank Debt	Accrued Interest	Total
Balance, December 31, 2017	P4,846,532	P30,157	P4,876,689
Proceeds - short term	16,250,000	-	16,250,000
Proceeds - long term	4,300,000	-	4,300,000
Interest expense	6,048	269,281	275,329
Payment of:			
Principal - short term	(18,350,000)	-	(18,350,000)
Principal - long term	(600,000)	-	(600,000)
Interest	-	(279,345)	(279,345)
Debt issuance cost	(30,250)	-	(30,250)
Balance, December 31, 2018	**P6,422,330**	**P20,093**	**P6,442,423**

12. Income Taxes

The components of the income tax expense are as follows:

	2018	2017	2016
Current tax expense	**P133,256**	P262,948	P317,348
Deferred tax expense (benefit) from origination and reversal of temporary differences and others	**(196,254)**	(36,269)	41,881
	(P62,998)	P226,679	P359,229

The details of the net deferred tax assets and liabilities are as follows:

2018	Balance at December 31, 2017	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2018 Net	Deferred Tax Assets	Deferred Tax Liabilities
Net defined benefit liability	P250,883	(P10,846)	(P32,432)	P207,605	P207,605	P -
Allowance for impairment losses on bottles and cases, inventories and others	261,356	(64,230)	-	197,126	284,531	(87,405)
Bottles and cases	(949,123)	192,101	-	(757,022)	-	(757,022)
Property, plant and equipment - net	(307,721)	69,620	-	(238,101)	-	(238,101)
MCIT	-	9,609	-	9,609	9,609	-
Tax assets (liabilities) before set off	(744,605)	196,254	(32,432)	(580,783)	501,745	(1,082,528)
Set off of taxes	-	-	-	-	(385,964)	385,964
Net tax assets (liabilities)	(P744,605)	P196,254	(P32,432)	(P580,783)	P115,781	(P696,564)

2017	Balance at December 31, 2016	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2017 Net	Deferred Tax Assets	Deferred Tax Liabilities
Net defined benefit liability	P235,118	P14,222	P1,543	P250,883	P250,883	P -
Allowance for impairment losses on bottles and cases, inventories and others	188,884	72,472	-	261,356	344,142	(82,786)
Bottles and cases	(912,552)	(36,571)	-	(949,123)	-	(949,123)
Property, plant and equipment - net	(293,867)	(13,854)	-	(307,721)	-	(307,721)
Tax assets (liabilities) before set off	(782,417)	36,269	1,543	(744,605)	595,025	(1,339,630)
Set off of taxes	-	-	-	-	(469,628)	469,628
Net tax assets (liabilities)	(P782,417)	P36,269	P1,543	(P744,605)	P125,397	(P870,002)

Deferred tax expense relating to remeasurements of net defined benefit liability recognized in other comprehensive income amounted to P32.4 million, P1.5 million and P4.6 million in 2018, 2017 and 2016, respectively.

The Company has MCIT amounting to P9.6 million, which could be available as deduction against future RCIT liabilities until 2021.

Net deferred tax liabilities as at December 31, 2018 are estimated to be recovered as follows:

	Amount
To be recovered within 12 months	**P81,312**
To be recovered after more than 12 months	**499,470**
	P580,782

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces the 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.

The Company has no unrecognized deferred tax assets as at December 31, 2018 and 2017.

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

	2018	2017	2016
Profit (loss) before tax	**(P262,538)**	P768,004	P1,212,351
Tax rate at 30%	**(P78,761)**	P230,401	P363,705
Addition to (reductions in) income tax resulting from the tax effects of:			
Nondeductible expenses and others	**21,196**	111	60
Equity in net earnings of associates	**(4,974)**	(3,564)	(4,176)
Interest income subjected to final tax	**(459)**	(269)	(360)
	(P62,998)	P226,679	P359,229

13. Defined Benefit Plan

The Company has a funded, noncontributory, final salary defined benefit plan covering substantially all of its regular and full time employees. The Company has a Retirement Committee, which is composed mainly of the Company's employees, 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 by a qualified actuary using the projected unit credit method. The latest actuarial valuation was made on December 31, 2018.

Under the existing regulatory framework, Republic Act 7641, *"The Retirement Pay Law,"* a company is required to provide retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under collective bargaining and other agreement shall not be less than those provided for under the law. The law does not require minimum funding of the plan.

The determination of the Company's net defined benefit liability and retirement cost is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Remeasurements of the net defined benefit liability are recognized in other comprehensive income and comprise actuarial gains and losses on the net defined benefit liability, return on plan assets and any change in the effect of asset ceiling, excluding amounts included in the net interest on the net defined benefit liability.

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

	Defined Benefit Obligation (DBO)		Fair Value of Plan Assets		Net Defined Benefit Liability	
	2018	2017	**2018**	2017	**2018**	2017
Balance at January 1	**P941,652**	P896,160	**(P105,371)**	(P112,432)	**P836,281**	P783,728
Included in profit or loss						
Current service cost	**80,501**	78,185	**-**	-	**80,501**	78,185
Interest expense	**51,430**	46,926	**-**	-	**51,430**	46,926
Interest income	**-**	-	**(8,052)**	(8,427)	**(8,052)**	(8,427)
	131,931	125,111	**(8,052)**	(8,427)	**123,879**	116,684
Remeasurements loss (gain):						
Actuarial loss (gain):						
- financial assumptions	**(152,105)**	(24,447)	**-**	-	**(152,105)**	(24,447)
- experience adjustment	**31,751**	22,946	**-**	-	**31,751**	22,946
Return on plan assets excluding interest income	**-**	-	**12,248**	6,646	**12,248**	6,646
	(120,354)	(1,501)	**12,248**	6,646	**(108,106)**	5,145
Other						
Contributions paid	**-**	-	**(124,000)**	(33,000)	**(124,000)**	(33,000)
Benefits paid directly by the Company	**(36,036)**	(36,276)	**-**	-	**(36,036)**	(36,276)
Benefits paid	**(122,135)**	(41,842)	**122,135**	41,842	**-**	-
	(158,171)	(78,118)	**(1,865)**	8,842	**(160,036)**	(69,276)
Balance at December 31	**P795,058**	P941,652	**(P103,040)**	(P105,371)	**P692,018**	P836,281

The current portion of defined benefit liability (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P28.7 million as at December 31, 2018 and 2017, while the noncurrent portion (included under "Other noncurrent liabilities" account in the statements of financial position) amounted to P664.2 million and P807.5 million as at December 31, 2018 and 2017, respectively.

Retirement cost is allocated between "Cost of Goods Sold" account in the statements of profit or loss and other comprehensive income, which amounted to P7.8 million, P7.5 million and P7.1 million for the years ended December 31, 2018, 2017 and 2016, respectively, and "Operating Expenses" account in the statements of profit or loss and other comprehensive income, which amounted to P116.0 million, P109.2 million and P105.4 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Notes 16, 17, 18 and 20).

As at December 31, 2018 and 2017, the present value of defined benefit obligation amounting to P795.0 million and P941.7 million, respectively, pertains to active members.

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

	2018	2017
Discount rate	**7.25%**	5.50%
Rate of future salary increase	**5.00%**	5.00%

Plan assets at December 31 comprised:

	2018	2017
Cash and cash equivalents	**P5,587**	P3,743
Debt securities:		
Investment in government securities	**86,250**	92,784
Investment in debt securities	**9,601**	6,897
	95,851	99,681
Investment in equity securities*		
Food and drink	**149**	147
Holding Company	**330**	330
Real estate	**132**	118
	611	595
Others	**991**	1,352
Total	**P103,040**	P105,371

*includes investment in NHC amounting to P330 thousand

Debt and equity instruments have quoted prices in active markets. All government bonds and securities are issued by the Philippine government, which are rated "BBB" by Standard and Poor's Financial Services.

Other financial assets held by the Plan are primarily receivables and payables.

Maturity analysis of the benefit payments:

During the Year Ending December 31	Expected Benefit Payments
2019	P3,141
2020	170,931
2021	42,901
2022	46,280
2023	55,761
2024 through December 31, 2028	368,498

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected DBO by the amounts shown below:

2018		**Sensitivity Analysis**	**Effect on DBO**
Discount rate	**8.25%**	**1.00% increase**	**-8.67%**
Discount rate	**6.25%**	**1.00% decrease**	**10.23%**
Rate of salary increase	**6.00%**	**1.00% increase**	**10.36%**
Rate of salary increase	**4.00%**	**1.00% decrease**	**-8.92%**

2017		Sensitivity Analysis	Effect on DBO
Discount rate	6.50%	1.00% increase	-9.34%
Discount rate	4.50%	1.00% decrease	11.11%
Rate of salary increase	6.00%	1.00% increase	11.05%
Rate of salary increase	4.00%	1.00% decrease	-9.46%

As at December 31, 2018 and 2017, the weighted-average duration of the defined benefit obligation is 10.18 years and 11.31 years, respectively.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The Retirement Committee reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The Company's expected contribution to the plan for the year 2018 is P30 million. Any future contribution to the plan is determined taking into account the cash flow and financial condition as at the date of intended contribution, as well as other factors as the Company may consider relevant.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund balance in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of the contributions to the fund at any time due to the business necessity or economic conditions.

14. Share Capital

Capital stock consists of:

	Years Ended December 31					
	2018		2017		2016	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized - P0.15 par value per share	**5,000,000,000**	**P750,000**	5,000,000,000	P750,000	5,000,000,000	P750,000
Issued, fully paid 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 January 21, 2008, the Company obtained a certificate of permit to offer securities for sale issued by the SEC consisting of 3,693,772,279 common shares with a maximum offer price of P3.50 per share.

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 stock 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 P57.0 million and additional paid-in capital of P1.2 billion, net of P138.0 million transaction cost that is accounted for as a reduction in equity.

The Company has approximately 597 and 594 holders of common equity securities as at December 31, 2018 and 2017, 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 of 15% that is required by the Philippine Stock Exchange, Inc. where the Company's shares are traded.

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 the 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 maintains its use of capital structure using a debt-to-equity ratio which is gross debt divided by equity. The Company includes within gross debt all interest-bearing loans and borrowings, while the Company defines equity 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. The Company is subject to debt covenants relating to its long-term debt (see Note 11).

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

	2018	2017
(a) Debt*	**P6,422,330**	P4,846,532
(b) Total equity	**P9,159,065**	P9,445,456
Debt to equity ratio (a/b)	**0.70:1**	0.51:1

* Pertains to bank debts

15. Retained Earnings

On April 20, 2016, the Company's BOD approved the declaration of cash dividends with the record date of May 10, 2016, and a payment date of June 3, 2016, amounting to P243.8 million or P0.07 per share for the year ended December 31, 2016.

On May 4, 2017, the Company's BOD approved the declaration of cash dividends with the record date of May 18, 2017, and a payment date of June 14, 2017, amounting to P254.9 million or P0.07 per share for the year ended December 31, 2017.

On April 16, 2018, the Company's BOD approved the declaration of cash dividends with the record date of April 30, 2018, and a payment date of May 25, 2018, amounting to P162.5 million or P0.044 per share for the year ended December 31, 2018.

As at December 31, 2018, the Company has retained earnings of P7,886,063 (as adjusted per Securities Regulation Code Rule 68, As Amended), and share capital of P1,751,435. The Company has a dividend policy to declare dividends to stockholders of record, which are paid out of its unrestricted retained earnings. Any future dividends it pays will be at the discretion of the BOD after taking into account the following: the Company's earnings; cash flows; financial position; loan covenants; 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 profit as dividends. In addition, the Company must obtain prior written consent from its lenders before it can declare or pay any cash dividends or redeem or repurchase any outstanding share or make any capital or asset distribution to its stockholders (see Note 11). The Company obtained the consents from its lenders prior to declaring dividends in 2018, 2017 and 2016.

16. Cost of Goods Sold

Cost of goods sold consists of:

	Note	**2018**	2017	2016
Materials and supplies used, and taxes	*6, 23*	**P21,919,552**	P16,204,904	P16,872,502
Depreciation and amortization	*8, 9, 19*	**2,129,808**	2,291,164	2,061,372
Delivery and freight		**1,708,230**	2,301,750	2,237,284
Rental and utilities	*26*	**632,748**	660,152	601,847
Personnel expenses	*13, 20*	**541,278**	529,246	524,709
Others		**951,751**	1,045,374	1,108,429
		P27,883,367	P23,032,590	P23,406,143

The "Others" account includes repairs and maintenance, outside services and other various items of manufacturing overhead which are individually insignificant.

17. Selling and Distribution

Selling and distribution expenses consist of:

	Note	**2018**	2017	2016
Distribution		**P1,093,547**	P1,474,158	P966,083
Delivery and freight		**922,811**	873,601	776,535
Personnel expenses	*13, 20*	**701,071**	659,009	615,281
Depreciation and amortization	*8, 9, 19*	**448,267**	606,913	595,540
Taxes		**209,993**	123,906	111,615
Rental and utilities	*26*	**198,465**	166,546	122,617
Sales commission		**171,708**	219,741	188,400
Others	*5, 8*	**252,632**	294,713	300,924
		P3,998,494	P4,418,587	P3,676,995

The "Others" account includes impairment losses on receivables and unusable containers, and various individually insignificant items.

18. General and Administrative

General and administrative expenses consist of:

	Note	**2018**	2017	2016
Personnel expenses	*13, 20*	**P706,558**	P642,803	P601,195
Outside services		**187,526**	152,308	125,697
Rental and utilities	*26*	**104,357**	87,515	101,606
Depreciation	*9, 19*	**54,196**	54,650	82,480
Others		**137,544**	117,991	59,254
		P1,190,181	P1,055,267	P970,232

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

19. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	**2018**	2017	2016
Cost of goods sold	*16*	**P2,129,808**	P2,291,164	P2,061,372
Selling and distribution	*17*	**448,267**	606,913	595,540
General and administrative	*18*	**54,196**	54,650	82,480
		P2,632,271	P2,952,727	P2,739,392

20. Personnel Expenses

Personnel expenses consist of:

	Note	**2018**	2017	2016
Salaries and wages		**P1,825,028**	P1,714,374	P1,628,723
Retirement cost	*13*	**123,879**	116,684	112,462
		P1,948,907	P1,831,058	P1,741,185

The above amounts are distributed as follows:

	Note	**2018**	2017	2016
Cost of goods sold	*16*	**P541,278**	P529,246	P524,709
Selling and distribution	*17*	**701,071**	659,009	615,281
General and administrative	*18*	**706,558**	642,803	601,195
		P1,948,907	P1,831,058	P1,741,185

21. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	2018	2017	2016
Profit (loss) for the year attributable to equity holders of the Company (a)	**(P199,540)**	P541,325	P853,122
Number of issued shares at beginning and end of year	**3,693,772,279**	3,693,772,279	3,693,772,279
Number weighted average number of shares outstanding (b)	**3,693,772,279**	3,693,772,279	3,693,772,279
Basic/diluted EPS (a/b)	**(P0.05)**	P0.15	P0.23

As at December 31, 2018, 2017 and 2016, the Company has no dilutive equity instruments.

22. 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.

Related party transactions are shown under the appropriate accounts in the financial statements as follows:

Category	Nature of Transaction	*Note*	Year	Amount of Transactions for the Period	Outstanding Balance of Due from Related Parties	**Terms**	**Conditions**
Stockholder*	Purchases	*22a*	**2018**	**P61,500**	**P -**		
			2017	78,979	-		
			2016	72,534	-		
Associates	Advances	*22b, 22c*	**2018**	**-**	**567,309**	**Collectible on demand**	**Unsecured; no impairment**
			2017	-	580,174	Collectible on demand	Unsecured; no impairment
			2016	-	585,174	Collectible on demand	Unsecured; no impairment
	Various	*22b*	**2018**	**25,070**	**-**		
			2017	22,568	-		
			2016	25,436	-		
Key Management Personnel	Short-term employee benefit	*22d*	**2018**	**133,630**	**-**		
			2017	114,666	-		
			2016	120,836	-		
	Post-employment benefits	*22d*	**2018**	**2,736**	**-**		
			2017	3,346	-		
			2016	2,700	-		
			2018		**P567,309**		
			2017		P580,174		
			2016		P585,174		

*Entity with significant influence over the Company

The above outstanding balances of due from related parties are unsecured and expected to be settled in cash. No impairment losses have been recognized in 2018 and 2017 in respect of amounts of due from related parties as these are considered to be collectible.

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, 2018, 2017 and 2016 amounted to P61.5 million, P79.0 million and P72.5 million, respectively.

b. The Company leases parcels of land where some of its bottling plants are located. Rental expenses recognized under "Cost of Goods Sold" and "Operating Expenses" accounts in the statements of profit or loss and other comprehensive income amounted to P28.9 million, P26.4 million and P29.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Company has advances to NRC amounting to P38.0 million as at December 31, 2018 and 2017, which bear interest at a fixed rate of 10% per annum and which are unsecured and collectible on demand. The related interest income amounting to P3.8 million each for the years ended December 31, 2018, 2017 and 2016 is recognized as part of "Other income - net" under "Finance and Other Income (Expenses)" account in the statements of profit or loss and other comprehensive income. The Company also has outstanding net receivables from NRC amounting to P525.5 million and P538.3 million as at December 31, 2018 and 2017, respectively, which are unsecured and collectible 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 as at December 31, 2018 and 2017, and which are unsecured and collectible 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 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.

Transactions with the Defined Benefit Plan
The Company's retirement fund is being held in trust by trustee banks.

As at December 31, 2018 and 2017, the fair value of the retirement fund amounted to P103.0 million and P105.4 million, respectively. The retirement fund consists of government and debt securities, equities and other items such as cash and cash equivalents, receivables and payables, which accounted for 85%, 6%, 3%, and 6% of plan assets, respectively in 2018 and 95%, 1%, and 4% of plan assets, respectively, in 2017 (see Note 13). The retirement plan has no investments in the Company or any receivables from the Company.

The Company made contributions to the retirement fund amounting to P124.0 million and P33.0 million in 2018 and 2017, respectively.

23. 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 2018 and Pepsi Lipton International Limited (Pepsi Lipton), a joint venture of PepsiCo and Unilever N.V., up to year 2019 (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 agreement 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. Until August 2017, purchases made from PepsiCo is made thru Pepsi-Cola Far East Trade Development Co., Inc. (PCFET), a company incorporated under Philippines laws. Starting September 2017, purchases made from PepsiCo is made mainly thru Concentrate Manufacturing (Singapore) PTE Ltd. (CMSPL). Total net purchases from PCFET amounted to nil, P3.7 billion and P5.6 billion for the years ended December 31, 2018, 2017 and 2016, respectively. Total net purchases from CMSPL amounted to P3.4 billion for the year ended December 31, 2018. The Company's outstanding payable to PCFET (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P6.7 million and P62.5 million as at December 31, 2018 and 2017, respectively. The Company's outstanding payable to CMSPL (included under "Accounts payable and accrued expenses" account in the statements of financial position) as at December 31, 2018 amounted to P1.2 billion. Total purchases from Pepsi Lipton amounted to P201.7 million, P236.3 million and P132.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Company's outstanding payable to Pepsi Lipton (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P54.8 million and P17.0 million as at December 31, 2018 and 2017, respectively.

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 reimbursements from PepsiCo thru PCFET and CMSPL. The Company incurred marketing expenses amounting to P628.3 million, P817.8 million and P937.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. 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 P218.4 million and P314.6 million P179.9 million as at December 31, 2018 and 2017, 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.

d. On December 20, 2014, the Company has Exclusive Snacks Franchising Appointment with The Concentrate Manufacturing Company of Ireland (CMCI), a company incorporated in Ireland. Under the agreement, the Company is authorized to manufacture, process, package, distribute and sell the products within the territory in accordance with the agreement. In addition, CMCI shall supply the Company with the main raw materials in the production of these snacks products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, CMCI has the right to terminate the contracts under certain conditions, including failure to comply with terms and conditions of the agreement 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 manufacturing products for 30 consecutive days, among others.

e. On December 20, 2014, the Company entered into a Business Development Agreement with CMCI to meet certain sales volume objectives through: (1) growing distribution through active sales and distribution system; (2) ensuring pack price competitive presence; and (3) growing salty share and volume. The agreement sets forth the agreed advertising and marketing activities and participation and purchase of seasoning during the years covered by the agreements. The Company incurred marketing expenses amounting to P37.7 million, P124.2 million and P68.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. Purchases from CMCI is made thru Pepsi-Cola International Cork (Cork), a company incorporated under the laws of Ireland. No marketing expense incurred under this agreement in 2014. Total net purchases from Cork amounted to P34.9 million, P24 million and P130.1 million in 2018, 2017 and 2016, respectively. The Company's outstanding payable to Cork (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P14 million and nil as at December 31, 2018 and 2017, respectively.

24. Segment Information

As discussed in Note 1 to the financial statements, the Company is engaged in the manufacture, sales and distribution of CSD, NCB and Snacks. 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, Propel fitness water, Milkis, Let's be coffee and Premier and Aquafina drinking water, while Snacks category includes Cheetos and Lays. The Company operates under three (3) reportable operating segments, the CSD, NCB and Snacks categories. These categories are managed separately because they require different technology and marketing strategy. Analysis of financial information by operting segment is as follows (in millions):

	Year Ended December 31, 2018			
(Amounts in Millions)	**CSD**	**NCB**	**Snacks**	**Total**
Net Sales				
External sales	**P28,670**	**P9,506**	**P262**	**P38,438**
Sales returns and discounts	**3,578**	**1,203**	**62**	**4,843**
Net Sales	**P25,092**	**P8,303**	**P200**	**P33,595**
Result				
Segment result*	**P4,294**	**P1,415**	**P2**	**P5,711**
Unallocated expenses				**(5,855)**
Interest and financing expenses				**(275)**
Equity in net earnings of associates				**17**
Interest income				**5**
Other income - net				**135**
Income tax benefit				**63**
Profit				**(P199)**
Other Information**				
Segment assets				**P25,240**
Investment in associates				**613**
Deferred tax assets - net				**116**
Other noncurrent assets				**204**
Combined Total Assets				**P26,173**
Segment liabilities				**P9,886**
Loans payable				**6,422**
Deferred tax liabilities - net				**697**
Income tax payable				**9**
Combined Total Liabilities				**P17,014**
Capital expenditures				**P1,976**
Depreciation and amortization of bottles and cases and property, plant and equipment				**2,632**
Noncash items other than depreciation and amortization				**62**

(Amounts in Millions)	Year Ended December 31, 2017 CSD	NCB	Snacks	Total
Net Sales				
External sales	P26,262	P9,265	P339	P35,866
Sales returns and discounts	(4,192)	(1,297)	(72)	(5,561)
Net Sales	P22,070	P7,968	P267	P30,305
Result				
Segment result*	P5,329	P1,924	P20	P7,273
Unallocated expenses				(6,416)
Interest and financing expenses				(137)
Equity in net earnings of associates				12
Interest income				5
Other income - net				31
Income tax expense				(227)
Profit				P541
Other Information**				
Segment assets				P23,143
Investment in associates				596
Deferred tax assets - net				125
Other noncurrent assets				280
Combined Total Assets				P24,144
Segment liabilities				P8,940
Loans payable				4,847
Deferred tax liabilities - net				870
Income tax payable				42
Combined Total Liabilities				P14,699
Capital expenditures				P3,687
Depreciation and amortization of bottles and cases and property, plant and equipment				2,953
Noncash items other than depreciation and amortization				327

(Amounts in Millions)	Year Ended December 31, 2016 CSD	NCB	Snacks	Total
Net Sales				
External sales	P26,142	P9,419	P190	P35,751
Sales returns and discounts	(4,115)	(1,285)	(31)	(5,431)
Net Sales	P22,027	P8,134	P159	P30,320
Result				
Segment result*	P5,061	P1,884	(P31)	P6,914
Unallocated expenses				(5,652)
Interest and financing expenses				(91)
Equity in net earnings of associates				14
Interest income				4
Other income - net				23
Income tax expense				(359)
Profit				P853
Other Information**				
Segment assets				P21,234
Investment in associates				584
Deferred tax assets - net				118
Other noncurrent assets				269
Combined Total Assets				P22,205
Segment liabilities				P8,193
Loans payable				3,944
Deferred tax liabilities - net				900
Income tax payable				5
Combined Total Liabilities				P13,042
Capital expenditures				P3,658
Depreciation and amortization of bottles and cases and property, plant and equipment				2,739
Noncash items other than depreciation and amortization				(3)

*The Company presents its operating segments performance based on profit. There were no intersegment sales recognized between the three reporting segments.

**The Company uses its assets and incurs liabilities to produce CSD, NCB and snacks, 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. 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.

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity has the primary responsibility for providing the goods or rendering services;
- the entity has inventory risk; and
- the entity has discretion in establishing prices.

An entity is acting as an agent when it does not obtain control of the goods or right to the services. The Company assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

25. Financial Risk Management and Financial Instruments

Classifying Financial Instruments

The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

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.

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

Risk Management Framework

The BOD of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's 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 Company's 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 Company has an Audit Committee, which performs oversight over financial management and internal control, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The Company's Audit Committee is assisted in the oversight role by the Internal Audit (IA). The Company's IA 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 cash in banks, receivables and due from related parties.

Exposure to Credit Risk
The carrying amounts of the financial assets represent the Company's maximum credit exposure before effect of any collateral and any master netting agreements. The maximum exposure to credit risk as at December 31 is as follows:

	Note	**2018**	2017
Cash in banks	*4*	**P295,510**	P151,228
Receivables - net	*5*	**2,542,413**	2,404,681
Due from related parties	*22*	**567,309**	580,174
Total credit exposure		**P3,405,232**	P3,136,083

The Company has Plant Credit Committee (PCC) for each of the plant. The PCC has established a credit policy under which each new customer is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The PCC'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 (list of blacklisted customers), 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. Receivables from these customers are considered by the Company to be impaired.

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

Collaterals are required from customers 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. Collaterals include bank guarantees, time deposits, surety bonds, real estate and/or chattel mortgages. The aggregate fair market value of these collateral securities amounted to P225.6 million and P253.1 million as at December 31, 2018 and 2017, respectively. Total amount of receivables that have collateral amounted to P194.8 million and P224.8 million as at December 31, 2018 and 2017, 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 collaterals, the Company created rules governing the acceptance of such guarantees. On instances of customer default, the PCC, 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, 2018

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P295,510	P -	P -	P -	P -	P295,510
Receivables:						
Trade	1,320,925	432,973	62,442	83,270	150,392	2,050,002
Others	481,056	9,312	27,902	124,533	71,541	714,344
Due from related parties	567,309	-	-	-	-	567,309
	2,664,800	442,285	90,344	207,803	221,933	3,627,165
Less allowance for impairment losses	-	-	-	-	221,933	221,933
	P2,664,800	P442,285	P90,344	P207,803	P -	P3,405,232

December 31, 2017

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P151,228	P -	P -	P -	P -	P151,228
Receivables:						
Trade	1,113,708	318,082	94,392	58,744	159,521	1,744,447
Others	453,411	32,081	67,490	266,773	55,434	875,189
Due from related parties	580,174	-	-	-	-	580,174
	2,298,521	350,163	161,882	325,517	214,955	3,351,038
Less allowance for impairment losses	-	-	-	-	214,955	214,955
	P2,298,521	P350,163	P161,882	P325,517	P -	P3,136,083

As at December 31, 2018 and 2017, there was an impairment loss of P221.9 million and P215.0 million, respectively, relating to trade and other receivables.

The Company believes that the unimpaired amounts that are past due by more than thirty (30) days are still collectible, based on historic payment behavior and extensive analysis of customer credit risk. In addition, the Company believes that the amounts of financial assets that are neither past due nor impaired are collectible, based on historic payment behavior and extensive analysis of counterparties credit risk.

The Company's exposure to credit risk arises from default of the counterparty. There is no significant concentration 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 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.

High grade cash in banks is deposited in local banks that are considered as top tier banks in the Philippines in terms of resources and profitability. Receivables and due from related parties are considered to be high grade quality financial assets, where the counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. 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.

Expected Credit Loss Assessment as at December 31, 2018

Trade and Other Receivables
The Company allocates each exposure to a credit risk based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by market or customer type and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2018:

	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,801,981	P -	No
1 - 30 days past due	442,285	-	No
31 - 60 days past due	90,344	-	No
More than 60 days past due	429,736	221,933	Yes
Balance at December 31, 2018	**P2,764,346**	**P221,933**	

Loss rates are based on actual credit loss experience over three years considering circumstances at the reporting date. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix. The application of the expected loss rates to the receivables of the Company does not have a material impact on the financial statements.

The maturity of the Company's trade and other receivables is less than one year, which implies that the lifetime expected credit losses and the 12-month expected credit losses are similar.

Cash in Banks
The Company held cash in banks amounting to P295.5 million and P151.2 million as at December 31, 2018 and 2017, respectively. The cash in banks is deposited in local banks, which is rated as high grade.

Impairment on cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash in banks have low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

Due from Related Parties
The Company has due from related parties amounting to P567.3 million and P580.1 million as at December 31, 2018 and 2017, respectively. Due from related parties consists of receivables from counterparties that have a very remote likelihood of default because there is no known significant financial difficulty of the counterparties and no probability that the counterparties will enter bankruptcy based from the available financial information.

Impairment on due from related parties has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that its due from related parties has low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

<u>Liquidity Risk</u>
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 in operations. 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 maintains the following credit facilities:

- Total commitment as at December 31, 2018 and 2017 under the line of credit is P16.85 billion and P13.1 billion, respectively, of which the Company had drawn P6.7 billion and P5.0 billion, respectively, under letters of credit, short-term loans and term loans. All facilities under the omnibus lines and term loans bear negotiated interest at floating rates consisting of a margin over current Philippine treasury rates; and

- P1.5 billion domestic bills purchased line, which are available as at December 31, 2018 and 2017.

Exposure to Liquidity Risk
The table summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted amount, including estimated interest payments and excluding the impact of any netting arrangements:

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Liabilities				
Short-term debt	**P1,000,000**	**P1,004,833**	**P1,004,833**	**P -**
Accounts payable and accrued expenses *	**8,922,129**	**8,922,129**	**8,922,129**	**-**
Long-term debt	**5,422,329**	**6,210,803**	**1,061,200**	**5,149,603**
	P15,344,458	**P16,137,765**	**P10,988,162**	**P5,149,603**

* Excluding statutory payables, accrual for operating leases and defined benefit liability amounting to P299.3 million

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Liabilities				
Short-term debt	P3,100,000	P3,113,352	P3,113,352	P -
Accounts payable and accrued expenses *	7,730,833	7,730,833	7,730,833	-
Long-term debt	1,746,532	2,323,108	666,751	1,656,357
	P12,577,365	P13,167,293	P11,510,936	P1,656,357

* Excluding statutory payables, accrual for operating leases and defined benefit liability amounting to P401.7 million.

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.

<u>Market Risk</u>
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 profit 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 P9.7 billion and P9.2 billion as at December 31, 2018 and 2017, respectively. Because of these purchase commitments, the Company considers the exposure to commodity price risk to be insignificant.

Exposure to Interest Rate Risk
The Company's exposure to interest rates pertains to its cash in banks, short-term debt, long-term debt and finance lease obligation. These financial instruments bear fixed interest rates and accordingly, the Company is not significantly exposed to interest rate risk.

Exposure to 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. 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. Further, the Company does not hold any investment in foreign securities as at December 31, 2018 and 2017.

Offsetting
The following table sets out the carrying amounts of due from related parties that are presented net of due to related parties in the statements of financial position as at December 31, 2018 and 2017:

December 31, 2018	**Gross Amount**	**Amount Offset**	**Net Amount** (see Note 22)
Due from related parties	**P779,995**	**(P212,686)**	**P567,309**

December 31, 2017	Gross Amount	Amount Offset	Net Amount
Due from related parties	P773,436	(P193,262)	P580,174

Fair Values
As at December 31, 2018 and 2017, the carrying amounts of the financial assets and liabilities, which include cash, receivables, due from related parties, short-term debt and accounts payable and accrued expenses, reasonably approximate fair values due to the short-term nature of these financial instruments.

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their level of the fair value hierarchy. The table below does not include the fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are the reasonable approximation of their fair values.

2018	Valuation Technique	Significant Unobservable Inputs	Carrying Amount	Level 1	Level 2	Level 3	Total
Type							
Long-term debt	Discounted cash flows	Not applicable	P5,422,329	P -	P5,253,300	P -	P5,253,300

2017	Valuation Technique	Significant Unobservable Inputs	Carrying Amount	Level 1	Level 2	Level 3	Total
Type							
Finance lease liability	Discounted cash flows	Not applicable	P3,728	P -	P3,618	P -	P3,618
Long-term debt	Discounted cash flows	Not applicable	1,746,532	-	1,525,836	-	1,525,836
			P1,750,260	P -	P1,529,454	P -	P1,529,454

There were no transfers between level 1, 2, 3 of the fair value hierarchy.

26. Commitments, Contingencies and Losses

a. Leases
The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date 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 Commitments as Lessee*
The Company leases certain warehouses, facilities and vehicles for a period of one to twenty-five years, renewable for another one to twenty-five years. The Company has determined that all significant risks and rewards of ownership of these properties remain with the lessors and the lease do not provide for an option to purchase or transfer ownership of the property at the end of the lease.

None of these leases includes contingent rentals. Rental expense (included under "Cost of Goods Sold" and "Operating Expenses" accounts in the statements of profit or loss and other comprehensive income) pertaining to these leased properties amounted to P202.4 million, P193.3 million, and P214.4 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Notes 16, 17 and 18).

Future minimum lease payments under such non-cancellable operating leases are as follows:

	2018	2017	2016
Less than one year	**P169,471**	P114,814	P116,189
Between one and five years	**394,218**	350,690	397,396
More than five years	**28,364**	28,364	148,353
	P592,053	P493,868	P661,938

- *Finance Lease Commitments as Lessee*
The Company entered into finance lease agreements covering pallets (see Note 8). 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 the provisions of the lease agreements effectively transfer ownership of the assets to the Company at the end of the lease term.

Future minimum lease payments and their present value are as follows:

	2018			2017		
	Future Minimum Lease Payments	**Interest**	**Present Value of Minimum Lease Payments**	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Less than one year	P -	P -	P -	P8,947	P5,219	P3,728
Between one and five years	-	-	-	-	-	-
	P -	P -	P -	P8,947	P5,219	P3,728

The current portion of the obligation under finance lease, which is presented as "Current portion of finance lease liability" under "Accounts payable and accrued expenses" account in the statements of financial position, amounted to nil and P3.7 million as at December 31, 2018 and 2017, respectively, while the noncurrent portion, which is included under "Other noncurrent liabilities" account in the statements of financial position, amounted to nil as at December 31, 2018 and 2017, respectively.

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, 2018 and 2017. Interest expense related to the obligation under finance lease amounted to nil, P1.3 million and P3.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

b. The Company is currently involved in various tax, legal and administrative proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling the Company's defense relating to these matters and is based upon an analysis of potential results. The Company received a Final Demand on Disputed Assessment from the Bureau of Internal Revenue for tax assessments relating to various taxes covering the taxable year June 30, 2010 and taxable period from July 1 to December 31, 2010 totaling P1.5 billion. Consequently, the Company filed a petition for review before the Court of Tax Appeals. As at the reporting date, these proceedings are still ongoing. The Company does not believe that these proceedings will have material adverse effect on its financial statements based on the assessment of the management's legal counsels. It is possible, however, that future financial performance could be affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
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. as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 28, 2019.

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 of Companies Within which the Company Belongs; Schedule of Philippine Financial Reporting Standards and Interpretations; and Supplementary Schedules of Annex 68-E. This 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.

R.G. MANABAT & CO.

VERNILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-35-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333641
Issued January 3, 2019 at Makati City

March 28, 2019
Makati City, Metro Manila

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE OF RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2018
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		**P7,964,775**
Adjustments:		
Less: Equity in income of associates	P364,455	
Add: Deferred tax expense	860,642	
Unappropriated Retained Earnings, as adjusted, beginning		**8,460,962**
Net Income based on the face of AFS	(199,540)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associates	16,579	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Deferred tax benefit	196,254	
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	-	
Sub-total	(412,373)	
Add: Non-actual losses		
Deferred tax expense	-	
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		**(412,373)**
Dividends declared and paid during the year		**(162,526)**
Unappropriated Retained Earnings, as adjusted, ending		**P7,886,063**

* *The Company must obtain prior written consent from its lenders before it can declare or pay any cash dividends or redeem or repurchase any outstanding share or make any capital or asset distribution to its stockholders.*

PEPSI-COLA PRODUCTS PHILIPINES, INC.
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS
Effective as at December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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
	Annual Improvements to PFRSs 2009 -2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards -Repeated Application of PFRS 1			X
	Annual Improvements to PFRSs 2009 -2011 Cycle: Borrowing Cost Exemption			X
	Annual Improvements to PFRSs 2011 -2013 Cycle: PFRS version that a first-time adopter can apply			X
	Annual Improvements to PFRSs 2014 -2016 Cycle: Deletion of short-term exemptions for first-time adopters			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
	Annual Improvements to PFRSs 2010 -2012 Cycle: Meaning of 'vesting condition'			X
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			X
PFRS 3 (Revised)	Business Combinations			X
	Annual Improvements to PFRSs 2010 -2012 Cycle: Classification and measurement of contingent consideration			X
	Annual Improvements to PFRSs 2011 -2013 Cycle: Scope exclusion for the formation of joint arrangements			X
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation		X	
	Amendments to PFRS 3: Definition of a Business		X	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			X
	Annual Improvements to PFRSs 2012 -2014 Cycle: Changes in method for disposal			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
	Annual Improvements to PFRSs 2012 -2014 Cycle: 'Continuing involvement' for servicing contracts			X
	Annual Improvements to PFRSs 2012 -2014 Cycle: Offsetting disclosures in condensed interim financial statements	X		
PFRS 8	Operating Segments	X		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Disclosures on the aggregation of operating segments	X		
PFRS 9	Financial Instruments (2014)	X		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		X	
PFRS 10	Consolidated Financial Statements			X
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			X
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			X
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		X	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			X
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			X
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			X
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation		X	
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			X
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			X
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			X
	Annual Improvements to PFRSs 2014 -2016 Cycle: Clarification of the scope of the standard	X		
PFRS 13	Fair Value Measurement	X		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Measurement of short-term receivables and payables	X		
	Annual Improvements to PFRSs 2011 -2013 Cycle: Scope of portfolio exception			X
PFRS 14	Regulatory Deferral Accounts			X
PFRS 15	Revenue from Contracts with Customers	X		
PFRS 16	Leases		X	
PFRS 17	Insurance Contracts		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		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Presentation of Financial Statements -Comparative Information beyond Minimum Requirements			X
	Annual Improvements to PFRSs 2009 -2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			X
	Amendments to PAS 1: Disclosure Initiative	X		
	Amendments to PAS 1 and PAS 8: Definition of Material		X	
PAS 2	Inventories	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	X		
	Amendments to PAS 7: Disclosure Initiative	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
	Amendments to PAS 1 and PAS 8: Definition of Material		X	
PAS 10	Events after the Reporting Period	X		
PAS 12	Income Taxes	X		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			X
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	X		
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity		X	
PAS 16	Property, Plant and Equipment	X		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Property, Plant and Equipment -Classification of Servicing Equipment			X
	Annual Improvements to PFRSs 2010 -2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			X
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	X		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			X
PAS 17	Leases	X		
PAS 19 (Amended)	Employee Benefits	X		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			X
	Annual Improvements to PFRSs 2012 -2014 Cycle: Discount rate in a regional market sharing the same currency -e.g. the Eurozone			X
	Amendments to PAS 19: Plan Amendment, Curtailment or Settlement		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		
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 23 -Borrowing costs eligible for capitalization		X	
PAS 24 (Revised)	Related Party Disclosures	X		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Definition of 'related party'	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	X		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			X
	Amendments to PAS 27: Equity Method in Separate Financial Statements			X
PAS 28 (Amended)	Investments in Associates and Joint Ventures	X		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		X	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			X
	Annual Improvements to PFRSs 2014 -2016 Cycle: Measuring an associate or joint venture at fair value			X
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		X	
PAS 29	Financial Reporting in Hyperinflationary Economies			X
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		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Financial Instruments Presentation -Income Tax Consequences of Distributions			X
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Interim Financial Reporting -Segment Assets and Liabilities			X
	Annual Improvements to PFRSs 2012 -2014 Cycle: Disclosure of information "elsewhere in the interim financial report'	X		
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets			X
	Annual Improvements to PFRSs 2010 -2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			X
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			X
PAS 40	Investment Property			X
	Annual Improvements to PFRSs 2011 -2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			X
	Amendments to PAS 40: Transfers of Investment Property			X
PAS 41	Agriculture			X
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			X
Philippine Interpretations				X
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 10	Interim Financial Reporting and Impairment			X
IFRIC 12	Service Concession Arrangements			X
IFRIC 14	PAS 19 - 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 19	Extinguishing Financial Liabilities with Equity Instruments			X

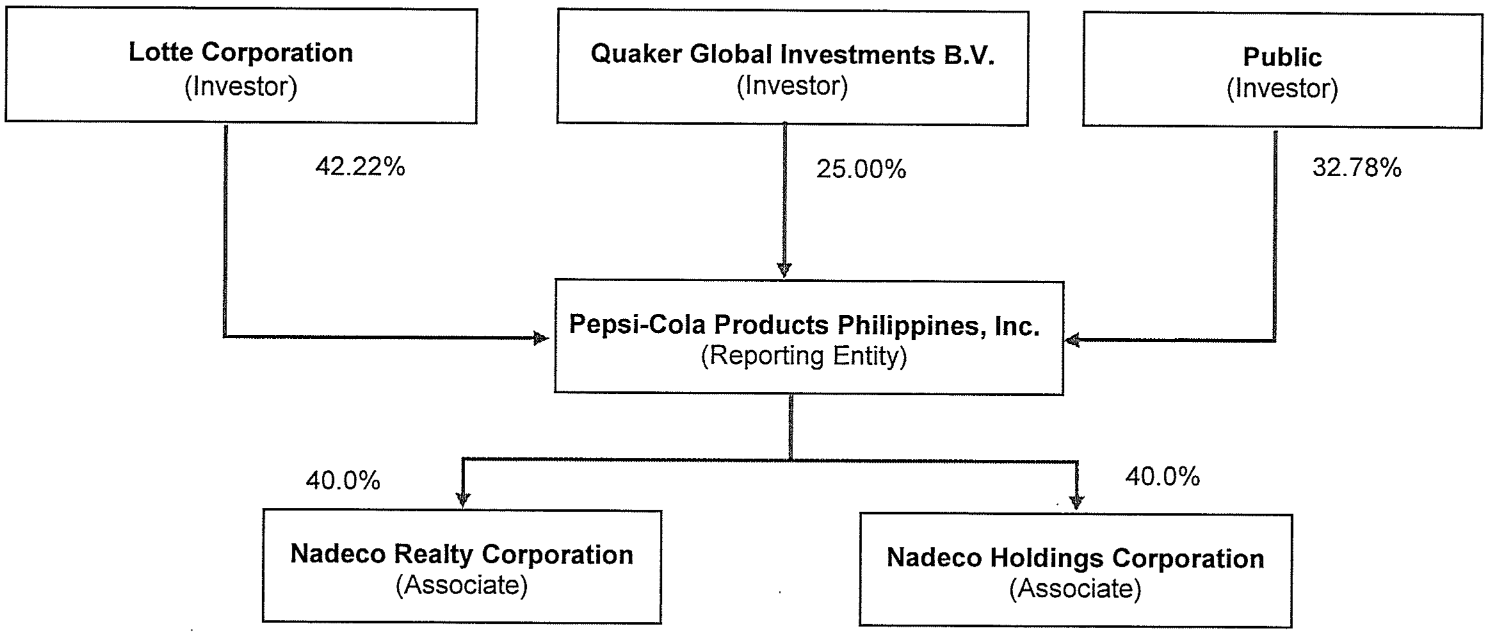
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			X
IFRIC 21	Levies			X
IFRIC 22	Foreign Currency Transactions and Advance Consideration			X
IFRIC 23	Uncertainty over Income Tax Treatments		X	
SIC-7	Introduction of the Euro			X
SIC-10	Government Assistance - No Specific Relation to Operating Activities			X
SIC-15	Operating Leases - Incentives	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-32	Intangible Assets - Web Site Costs			X
Philippine Interpretations Committee Questions and Answers				X
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 -Revenue recognition for sales of property units under pre-completion contracts			X
PIC Q&A 2006-02	PAS 27.10(d) -Clarification of criteria for exemption from presenting consolidated financial statements			X
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates			X
PIC Q&A 2007-03	PAS 40.27 -Valuation of bank real and other properties acquired (ROPA)			X
PIC Q&A 2008-01-Revised	PAS 19.78 -Rate used in discounting post-employment benefit obligations	X		
PIC Q&A 2009-01	Framework.23 and PAS 1.23 -Financial statements prepared on a basis other than going concern			X
PIC Q&A 2010-02	PAS 1R.16 -Basis of preparation of financial statements	X		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements -Current/non-current classification of a callable term loan			X
PIC Q&A 2011-02	PFRS 3.2 -Common Control Business Combinations			X
PIC Q&A 2011-03	Accounting for Inter-company Loans	X		
PIC Q&A 2011-04	PAS 32.37-38 -Costs of Public Offering of Shares			X
PIC Q&A 2011-05	PFRS 1.D1-D8 -Fair Value or Revaluation as Deemed Cost			X
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property -Acquisition of Investment properties -asset acquisition or business combination?			X
PIC Q&A 2012-01	PFRS 3.2 -Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			X
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			X
PIC Q&A 2013-03 (Revised)	PAS 19 -Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			X
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			X
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			X
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			X
PIC Q&A 2016-03	Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations			X
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			X
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			X
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			X
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			X
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	X		
PIC Q&A 2017-05	PFRS 7 -Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			X
PIC Q&A 2017-06	PAS 2, 16 and 40 -Accounting for Collector's Items			X
PIC Q&A 2017-07	PFRS 10 -Accounting for reciprocal holdings in associates and joint ventures			X
PIC Q&A 2017-08	PFRS 10 -Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			X
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			X
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			X
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			X
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			X
PIC Q&A 2018-01	Voluntary changes in accounting policy			X
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			X
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			X
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			X
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			X
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			X
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			X
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			X
PIC Q&A 2018-10	Scope of disclosure of inventory write-down	X		
PIC Q&A 2018-11	Classification of land by real estate developer			X
PIC Q&A 2018-12	PFRS 15 implementation issues affecting the real estate industry			X
PIC Q&A 2018-13	Conforming Changes to PIC Q&As -Cycle 2018			X
PIC Q&A 2018-14	PFRS 15 - Accounting for Cancellation of Real Estate Sales			X
PIC Q&A 2018-15	PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current			X
PIC Q&A 2018-16	PFRS 13 - Level of fair value hierarchy of government securities using Bloomberg's standard rule on fair value hierarchy			X
PIC Q&A 2019-01	Accounting for service charges under PFRS 15, Revenue from Contracts with Customers	X		
PIC Q&A 2019-02	Accounting for cryptographic assets			X

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Map of Group of Companies Within which the Company Belongs
As at December 31, 2018



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.	P573,350,864	P15,364,073	P28,611,846	P -	P560,103,092	P -	P560,103,092
Nadeco Holdings Corp.	6,822,857	383,151	-	-	7,206,008	-	7,206,008
Employees	12,506,455	69,226,878	70,950,585	-	10,782,747	-	10,782,747
Totals	**P592,680,176**	**P84,974,102**	**P99,562,431**	**P -**	**P578,091,847**	**P -**	**P578,091,847**

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE 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)	Lender	Outstanding Balance	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)	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	Metropolitan Bank Trust & Co.	P300,000,000	P199,177,018	P99,847,305	3.94% and 4.21%	20	April 2020
Long-term debt	Metropolitan Bank Trust & Co.	2,500,000,000	-	2,488,470,152	5.05% and 5.7%	20	March 2023
Long-term debt	Bank of the Philippine Islands	400,000,000	199,220,790	199,698,488	4.04% and 4.21%	20	October 2020
Long-term debt	Bank of the Philippine Islands	450,000,000	199,128,312	249,571,209	4.55% and 4.74%	20	March 2021
Long-term debt	Bank of the Philippine Islands	800,000,000	-	792,867,655	6.71%	20	December 2025
Long-term debt	Industrial Bank of Korea	500,000,000	197,929,567	298,716,927	4.50%	10	March 2021
Long-term debt	Shinhan Bank	500,000,000	-	497,701,943	4.60%	12	March 2023
Totals		**P5,450,000,000**	**P795,455,687**	**P4,626,873,679**			

*Note: All loan rates are fixed except for one loan at 6.71% which is quarterly floating rate with option to fix the rate

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	-	2,482,833,603	50,009	1,210,888,667
Totals	**5,000,000,000**	**3,693,772,279**	-	**2,482,833,603**	**50,009**	**1,210,888,667**

PEPSI-COLA PRODUCTS PHILIPINES, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

	Years Ended December 31	
	2018	2017
Current ratio (Current assets over current liabilities)	**0.8:1**	0.5:1
Solvency ratio (Profit plus depreciation and amortization over total liabilities)	**0.1:1**	0.2:1
Bank debt-to-equity ratio (Bank debt over total equity)	**0.7:1**	0.51:1
Asset-to-equity ratio (Total assets over total equity)	**2.9:1**	2.6:1
Interest rate coverage ratio (Profit before interest and taxes over interest expense)	**0.05:1**	6.61:1
Operating profit margin (Operating profit over net sales)	**-0.4%**	2.8%
Net profit margin (Profit over net sales)	**-0.6%**	1.8%